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**PERRY COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**

PERRY COUNTY SCHOOL DISTRICT  
NEW AUGUSTA, MISSISSIPPI

BOARD OF TRUSTEES

Elaine Hartfield  
Fredrick Jackson  
Lavelle Parker  
Terry Shoemake  
Robert Shows

SUPERINTENDENT

Scott Dearman, Ed. D.

Business Manager

Evelyn Garner

# PERRY COUNTY SCHOOL DISTRICT

## Table of Contents

FINANCIAL AUDIT REPORT	
Independent Auditor's Report on the Basic Financial Statements and Supplementary Information	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS	
EXHIBIT A: Statement of Net Assets	17
EXHIBIT B: Statement of Activities	18
EXHIBIT C: Balance Sheet – Governmental Funds	19
EXHIBIT C-1: Reconciliation of Governmental Funds to the Statement of Net Assets	20
EXHIBIT D: Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
EXHIBIT D-1: Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	22
EXHIBIT E: Statement of Fiduciary Assets and Liabilities	23
NOTES TO THE FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule 1A: Budgetary Comparison Schedule-General Fund	43
Notes to the Required Supplementary Information	44
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	46
Schedule of Instructional Expenses	47
OTHER SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund – Last Four Years	49
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Last Four Years	50
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	51
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	54
Independent Auditors' Report on Compliance with State Laws and Regulations	57
Schedule of Findings and Questioned Costs	61
AUDITEE'S REPORTS	
Auditee's Corrective Action Plan	63
Auditee's Summary Schedule of Prior Audit Findings	65

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

January 6, 2009

Superintendent and School Board  
Perry County School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of June 30, 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 January 6, 2009 on our consideration of the Perry County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 43 and 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The other supplemental information section, which includes the Statements of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years, is presented for the 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.

*King CPA, PLLC*

**KING CPA, PLLC**

Petal, Mississippi

January 6, 2009

**PERRY COUNTY SCHOOL DISTRICT**

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

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**FINANCIAL HIGHLIGHTS**

- Total net assets decreased \$132,485, which represents a 3% decrease from fiscal year 2007.
- General revenues accounted for \$9,691,236 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,048,074, or 24% of total revenues.
- The District had \$12,871,795 in expenses; only \$3,048,074 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,691,236 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,190,967 in revenues and \$9,083,543 in expenditures. After net other financing uses of \$320,178, the net change in fund balance for the General Fund was a decrease of \$212,754 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$132,753 due primarily to the current year depreciation of the capital assets.
- Long-term debt increased by \$1,891,791 due primarily to new debt acquired during the fiscal year in which proceeds will be used for future building improvements.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

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

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

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

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

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

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund.

A schedule of expenditures of federal awards as required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is also included in this report as supplemental information.

Additionally, a statement of revenues, expenditures and changes in fund balance for the general fund and for all governmental funds is included as other supplemental information. This schedule includes the 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 \$4,248,055 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$2,645,079 of the District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, mobile

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$2,289,248 of the District's net assets reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. The unrestricted portion of the District's net assets is a negative \$686,272 due primarily to an advance made in a previous fiscal year from the Sixteenth Section Principal Fund to the General Fund which is reported as a liability at year-end in the General Fund. The negative fund balance is further due to the current year deficiency of revenues and other financing sources over expenditures and other financing uses.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	Net Assets		Percentage
	June 30, 2008	June 30, 2007	Change
Current assets	\$ 3,654,673	\$ 1,878,479	94.6 %
Other assets	511,630	372,336	37.4 %
Capital assets, net	5,163,222	5,295,975	(2.5) %
<b>Total assets</b>	<b>9,329,525</b>	<b>7,546,790</b>	23.6 %
Current liabilities	64,536	41,107	57.0 %
Long-term debt outstanding	5,016,934	3,125,143	60.5 %
<b>Total liabilities</b>	<b>5,081,470</b>	<b>3,166,250</b>	60.5 %
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,506,295	2,568,975	(2.4) %
Restricted	2,289,248	2,439,593	(6.2) %
Unrestricted	(547,488)	(628,028)	12.8 %
<b>Total net assets</b>	<b>\$ 4,248,055</b>	<b>4,380,540</b>	(3.0) %

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

- Current assets increased from the previous fiscal year due primarily to an increase in investments. Loan proceeds remaining at the end of the fiscal year were invested in certificates of deposit.

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

- Other assets increased from the previous fiscal year due primarily to the increase in cash and cash equivalents in the Sixteenth Section Principal Fund. Cash and cash equivalents in the Sixteenth Section Principal Fund is included in the Restricted Assets (other assets) in the Statement of Net Assets.
- Long-term debt outstanding increased from the previous fiscal year due primarily to new debt acquired during the fiscal year in which proceeds will be used for future building improvements.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$12,739,310. The total cost of all programs and services was \$12,871,795. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>Change in Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 330,815	\$ 381,992	(13.4) %
Operating grants and contributions	2,717,259	2,856,288	(4.9) %
General revenues:			
Property taxes	2,195,626	2,135,347	2.8 %
Grants and contributions not restricted	7,105,032	6,655,804	6.7 %
Other	<u>390,578</u>	<u>1,005,773</u>	(61.2) %
<b>Total revenues</b>	<u>12,739,310</u>	<u>13,035,204</u>	(2.3) %
<b>Expenses:</b>			
Instruction	7,446,326	7,945,498	(6.3) %
Support services	4,349,518	4,508,729	(3.5) %
Non-instructional	758,880	820,713	(7.5) %
Sixteenth section	159,092	16,429	868.4 %
Interest and other expenses on long-term liabilities	<u>157,979</u>	<u>192,365</u>	(17.9) %
<b>Total expenses</b>	<u>12,871,795</u>	<u>13,483,734</u>	(4.5) %
<b>Increase (Decrease) in net assets</b>	(132,485)	(448,530)	70.5 %
<b>Net Assets, July 1</b>	<u>4,380,540</u>	<u>4,829,070</u>	(9.3) %
<b>Net Assets, June 30</b>	<u>\$ 4,248,055</u>	<u>\$ 4,380,540</u>	(3.0) %

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

There was an insignificant decrease in total revenues and total expenses when compared with the prior fiscal year.

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 7,446,326	\$ (5,888,276)	\$ 7,945,498	\$ (5,805,115)
Support services	4,349,518	(3,628,855)	4,508,729	(4,181,187)
Non-instructional	758,880	4,870	820,713	(54,524)
Sixteenth section	159,092	(153,481)	16,429	(12,263)
Interest and other expenses on long-term liabilities	<u>157,979</u>	<u>(157,979)</u>	<u>192,365</u>	<u>(192,365)</u>
<b>Total expenses</b>	<u>\$ 12,871,795</u>	<u>\$ (9,823,721)</u>	<u>\$ 13,483,734</u>	<u>\$ (10,245,454)</u>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$9,823,721 was financed by general revenue, which is made up of primarily property taxes of \$2,195,626 and state revenue of \$6,472,777.
- Investment earnings accounted for \$95,671 of funding.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$4,159,677. The net change in fund balance for the fiscal year was an increase of \$1,908,534 due primarily to proceeds of loans received during the fiscal year in which the

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

majority of the funds remained unspent at fiscal year-end. A portion of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. Included in the unreserved, undesignated section of the balance sheet is a negative fund balance reported in the General Fund in the amount of \$474,396, which is a result of an advance (liability) from the Sixteenth Section Principal Fund during a previous fiscal year and the current year deficiency of revenues and other financing sources over expenditures and other financing uses in the General Fund. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the unreserved, undesignated fund balance reported in the Capital Project Funds is a result of transfers from the General Fund and will be used for capital improvements. The portion of the unreserved, undesignated fund balance reported in the Permanent Funds is a result of earnings on investments in the Sixteenth Section Principal Fund that have not been transferred to the Interest Fund but may be transferred in the future. The remaining fund balance is reported in the reserved, or designated, section of the governmental funds balance sheet to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$212,754 due to the deficiency of revenues and other financing sources over expenditures and other financing uses. The net change in fund balance for the Building Repairs and Renovations Fund for the fiscal year was an increase of \$2,225,857 due to proceeds of loans received during the fiscal year in which the majority of the proceeds remained unspent at fiscal year-end. The net change in fund balance for the 16<sup>th</sup> Section Principal Fund for the fiscal year was an increase of \$79,776. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$184,345 due to the deficiency of revenues and other financing sources over expenditures and other financing uses in various funds.

**BUDGETARY HIGHLIGHTS**

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

- Budgeted amounts for revenue from federal sources in the General Fund were increased to reflect the increase in National Forest receipts. Amounts originally budgeted were understated.
- Budgeted amounts for support services expenditures in the General Fund were increased to reflect an increase in repair and maintenance services and vehicle operation services, including the purchase of a new school bus. Amounts originally budgeted were understated.

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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 supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District's total capital assets, before depreciation, were \$8,758,236, including land, buildings, building improvements, mobile equipment and furniture and equipment. This amount represents a gross increase of \$81,963 from the previous year. During the fiscal year, the District purchased a new school bus and a truck. Total depreciation expense for the year was \$222,456. Total accumulated depreciation as of June 30, 2008 was \$3,595,014, resulting in total net capital assets of \$5,163,222.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 58,108	\$ 58,108	0.0 %
Buildings	4,251,369	4,366,434	(2.6) %
Building improvements	280,929	294,503	(4.6) %
Mobile equipment	549,025	542,628	1.2 %
Furniture and equipment	<u>23,791</u>	<u>34,302</u>	(30.6) %
<b>Total</b>	<b><u>\$ 5,163,222</u></b>	<b><u>\$ 5,295,975</u></b>	<b>(2.5) %</b>

**Debt Administration.** At June 30, 2008, the District had \$5,016,934 in general and limited obligation bonds and other long-term debt outstanding, of which \$379,807 is due within one year. During the fiscal year, the District made principal payments in the amount of \$360,216 on existing long-term debt. The District also acquired new debt in the amount of \$2,250,000 in which proceeds will be used for future building improvements.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
General obligation bonds payable	\$ 299,000	\$ 342,000	(12.6) %
Limited obligation bonds payable	1,745,000	1,870,000	(6.7) %
Three mill notes payable	2,400,000	215,000	(30.2) %
Qualified zone academy bonds payable	300,000	300,000	0.0 %
Limited tax notes payable (non-capital related)	63,000	125,000	(49.6) %
Equipment lease purchase	138,784	204,000	(32.0) %
Compensated absences payable	<u>71,150</u>	<u>69,143</u>	2.9 %
<b>Total</b>	<b><u>\$ 5,016,934</u></b>	<b><u>\$ 3,125,143</u></b>	<b>60.5 %</b>

**CURRENT ISSUES**

The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. In addition, the District's system of financial

**PERRY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The fund balance of the General Fund decreased from the previous fiscal year resulting in a negative fund balance of \$474,396. Some financial concerns that have contributed to this negative fund balance are the increase in the employers match to the Public Employee's Retirement System and the School District having to assume responsibility for a portion of the previously fully funded employee health insurance.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**PERRY COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**PERRY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**EXHIBIT A**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 755,749
Investments	2,580,000
Due from other governments	301,035
Inventories	17,889
Restricted assets	511,630
Capital assets, not being depreciated	
Land	58,108
Capital assets, net of accumulated depreciation	
Buildings	4,251,369
Building improvements	280,929
Mobile equipment	549,025
Furniture and equipment	23,791
Total Assets	<u>\$ 9,329,525</u>
<b>LIABILITIES</b>	
Unearned revenue	\$ 6,626
Interest payable on long-term debt	57,910
Long-term liabilities (due within one year)	
Capital-related liabilities	313,961
Non-capital related liabilities	65,846
Long-term liabilities (due beyond one year)	
Capital-related liabilities	4,568,823
Non-capital related liabilities	68,304
Total Liabilities	<u>5,081,470</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,506,295
Restricted net assets	
Expendable:	
School-based activities	406,350
Debt service	472,518
Forestry improvements	59,881
Unemployment benefits	31,488
Non-expendable:	
Sixteenth section	1,319,011
Unrestricted	<u>(547,488)</u>
Total Net Assets	<u>\$ 4,248,055</u>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total</u>	Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
<b>Governmental Activities:</b>						
Instruction	\$ 7,446,326	\$ 167,613	\$ 1,390,437	\$ -	\$ (5,888,276)	
Support services	4,349,518	-	720,663	-	(3,628,855)	
Non-instructional services	758,880	157,591	606,159	-	4,870	
Sixteenth section	159,092	5,611	-	-	(153,481)	
Interest and other charges related to long-term liabilities	157,979	-	-	-	(157,979)	
<b>Total Governmental Activities</b>	<b>\$ 12,871,795</b>	<b>\$ 330,815</b>	<b>\$ 2,717,259</b>	<b>\$ -</b>	<b>(9,823,721)</b>	
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes - General purpose					2,016,351	
Property taxes - Debt purpose					179,275	
<b>Unrestricted grants and contributions:</b>						
State					6,472,777	
Federal					632,255	
Unrestricted investment earnings					95,671	
Sixteenth section sources					232,460	
Other					62,447	
<b>Total General Revenues</b>					<b>9,691,236</b>	
<b>Change in Net Assets</b>					<b>(132,485)</b>	
<b>Net Assets - Beginning</b>					<b>4,380,540</b>	
<b>Net Assets - Ending</b>					<b>\$ 4,248,055</b>	

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

PERRY COUNTY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008

EXHIBIT C

	Major Funds				Total Governmental Funds
	General Fund	Building Repairs and Renovations Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 123,664	\$ 25,857	\$ 214,764	\$ 606,228	\$ 970,513
Cash with fiscal agent				63	63
Investments	380,000	2,200,000	1,324	295,479	2,876,803
Due from other governments	114,978			179,333	294,311
Due from other funds	67,600				67,600
Advances to other funds			1,160,638		1,160,638
Inventories	-	-	-	17,889	17,889
<b>Total Assets</b>	<b>\$ 686,242</b>	<b>\$ 2,225,857</b>	<b>\$ 1,376,726</b>	<b>\$ 1,098,992</b>	<b>\$ 5,387,817</b>
<b>LIABILITIES &amp; FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	60,876	60,876
Advances from other funds	1,160,638	-	-	-	1,160,638
Deferred revenue	-	-	-	6,626	6,626
<b>Total Liabilities</b>	<b>1,160,638</b>	<b>-</b>	<b>-</b>	<b>67,502</b>	<b>1,228,140</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Advances	-	-	1,160,638	-	1,160,638
Inventory	-	-	-	17,889	17,889
Unemployment benefits	-	-	-	31,488	31,488
Forestry improvement	-	-	-	59,881	59,881
Capital project purposes	-	2,225,857	-	-	2,225,857
Debt service purposes	-	-	-	530,428	530,428
Permanent fund purposes	-	-	158,373	-	158,373
<b>Unreserved, undesignated, reported in:</b>					
General fund	(474,396)	-	-	-	(474,396)
Special revenue funds	-	-	-	388,461	388,461
Capital project funds	-	-	-	3,343	3,343
Permanent funds	-	-	57,715	-	57,715
<b>Total Fund Balances</b>	<b>(474,396)</b>	<b>2,225,857</b>	<b>1,376,726</b>	<b>1,031,490</b>	<b>4,159,677</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 686,242</b>	<b>\$ 2,225,857</b>	<b>\$ 1,376,726</b>	<b>\$ 1,098,992</b>	<b>\$ 5,387,817</b>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**EXHIBIT C-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,159,677
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Capital Assets	8,758,236
Less Accumulated Depreciation	<u>(3,595,014)</u>
	5,163,222
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term liabilities	(5,016,934)
Accrued interest on debt	<u>(57,910)</u>
	(5,074,844)
Total Net Assets	<u>\$ 4,248,055</u>

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

**PERRY COUNTY SCHOOL DISTRICT**

**EXHIBIT D**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Building Repairs and Renovations Fund</b>	<b>Sixteenth Section Principal Fund</b>	<b>Other Governmental Funds</b>	
<b>REVENUES</b>					
Local sources	\$ 2,281,194	\$ 3,914	\$ -	\$ 357,172	\$ 2,642,280
State sources	8,277,519	-	-	665,098	6,942,817
Federal sources	632,254	-	-	2,247,420	2,879,674
Sixteenth section sources	-	-	52,164	222,575	274,739
<b>Total Revenues</b>	<b>9,190,967</b>	<b>3,914</b>	<b>52,164</b>	<b>3,492,265</b>	<b>12,739,310</b>
<b>EXPENDITURES</b>					
Instruction	5,552,436	-	-	1,987,479	7,519,915
Support services	3,432,855	28,057	-	685,701	4,146,613
Non-instructional services	-	-	-	753,764	753,764
Sixteenth section	-	-	-	159,092	159,092
Facilities acquisition and construction	-	-	-	-	-
Debt Service:					
Principal	65,216	-	-	295,000	360,216
Interest	33,036	-	-	107,083	140,119
Other	-	-	-	1,057	1,057
<b>Total Expenditures</b>	<b>9,083,543</b>	<b>28,057</b>	<b>-</b>	<b>3,989,178</b>	<b>13,080,776</b>
Excess (Deficiency) of Revenues over (under) Expenditures	107,424	(24,143)	52,164	(476,911)	(341,466)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of loans	-	2,250,000	-	-	2,250,000
Transfers in	331,711	-	31,797	656,074	1,019,582
Payments held by escrow agents	-	-	-	30,000	30,000
Transfers out	(651,889)	-	(4,185)	(363,506)	(1,019,582)
Payment to QZAB debt escrow agent	-	-	-	(30,000)	(30,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(320,178)</b>	<b>2,250,000</b>	<b>27,612</b>	<b>292,566</b>	<b>2,250,000</b>
<b>Net change in fund balances</b>	<b>(212,754)</b>	<b>2,225,857</b>	<b>79,776</b>	<b>(184,345)</b>	<b>1,906,534</b>
Fund Balances---July 1, 2007	(272,792)	-	1,296,950	1,226,657	2,250,815
Prior Period adjustment	11,150	-	-	(11,150)	-
Fund Balances---July 1, 2007, as restated	(261,642)	-	1,296,950	1,215,507	2,250,815
Increase in reserve for inventory	-	-	-	328	328
<b>Fund Balances---June 30, 2008</b>	<b>\$ (474,396)</b>	<b>\$ 2,225,857</b>	<b>\$ 1,376,726</b>	<b>\$ 1,031,490</b>	<b>\$ 4,159,677</b>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**EXHIBIT D-1**

	<u>Amount</u>
Net Change in Fund Balances	\$ 1,908,534
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets.	89,781
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(222,456)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses on the sale of capital assets	(78)
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	(2,250,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	360,216
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences decreases	(2,007)
Accrued interest on debt decreases	(16,803)
An increase (+)/decrease (-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the statement of activities.	<u>328</u>
Change in Net Assets of Governmental Activities	<u>\$ (132,465)</u>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2008**

**EXHIBIT E**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 591,662
Total Assets	<u>\$ 591,662</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 559,769
Due to other funds	6,724
Due to student clubs	25,169
Total Liabilities	<u>\$ 591,662</u>

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

**PERRY COUNTY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

(I) 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 a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Perry County 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 Statement of Activities report information on all of the nonfiduciary 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 nonfiduciary 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 for 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

# PERRY COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2008

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.

### Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor 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 Repairs and Renovation Fund – This is a capital project fund to account for a \$2,250,000 limited tax note obligation. This money will be used for repairs and renovations throughout the District.

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

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District’s fiduciary funds include the following:

Payroll Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for payroll related liabilities.

Accounts Payable Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for related liabilities.

Beaumont Agency Fund – This fund is used to report resources held by the District for students at Beaumont Elementary School.

New Augusta Agency Fund – This fund is used to report resourced held by the District for students at New August Elementary School.

Perry Central Agency Fund – This fund is used to report resources held by the District for students at Perry Central High School.

Runnelstown Agency Fund – This fund is used to report resources held by the District for students at Runnelstown Elementary School.

Vo-Tech Agency Fund - This fund is used to report resources held by the District for students in the Vocational Program.

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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 tax, 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 county on behalf of the school district based upon an order adopted by the school board of the school district requesting an

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

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 interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, Liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash, and cash equivalents

The districts' 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.

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

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 interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund 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 presents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

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 balance sheet 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 16<sup>th</sup> 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 costs. 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 following table 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 those thresholds.

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

	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 6 for details.

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, proprietary and component unit 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 7 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 is a description of fund reserves used by the district:

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

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

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

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

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

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

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

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

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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 district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and Section 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

PERRY COUNTY SCHOOL DISTRICT

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

Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,847,316 (which includes \$2,876,803 of certificates of deposit with original maturity beyond three months and reported on Exhibit C as investments) and \$591,662, respectively. The bank balance was \$2,306,127.

*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 institutions 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 \$2,306,127 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$63 reported in Restricted Assets. See Note 4 for details.

Investments.

As of June 30, 2008, the district had the following investments of which \$2,580,000 reported as Investments and \$296,803 reported as Restricted Assets. See Note 4 for details:

Investment Type	Maturities	Fair Value	Rating
GNMA Bond		\$ 368	AAA
GNMA II Bond		956	AAA
Fed Home Loan MTG Corp	less than 1 year	206,270	AAA
Horizon Treasury MMKT Class A	less than 1 year	89,209	N/A
Certificates of Deposit	1 to 5 years	380,000	N/A
Certificates of Deposit	1 to 5 years	1,500,000	N/A
Certificates of Deposit	1 to 5 years	<u>700,000</u>	N/A
		<u>\$2,876,803</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. Of the district's investments in GNMA, \$1,324 of underlying securities are held by the district's agent in the district's name.

PERRY COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had the following investments:

Issuer	Fair Value	% of Total Investments
GNMA Bond - Fund 7211	\$ 368	0%
GNMA II Bond - Fund 7211	956	0%
Fed Home Loan MTG Corp - Fund 4024	206,270	7%
Horizon Treasury MMKT Class A - Fund 4041	89,209	3%
Trustmark National Bank - Fund 1120	380,000	13%
Trustmark National Bank - Fund 3028	<u>2,200,000</u>	76%
	<u>\$ 2,876,803</u>	

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 60,876
	Fiduciary Funds	<u>6,724</u>
		<u>\$ 67,600</u>

The primary purpose of the interfund loans was to cover federal funds not received prior to year end.

B. Advances To/From Other Funds:

Receivable Fund	Payable Fund	Amount
16th Section Principal	General Fund	<u>\$ 1,160,638</u>
		<u>\$ 1,160,638</u>

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

PERRY COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

Sixteenth section principal loans payable.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	100,618	44,512	145,130
2010	59,282	42,261	101,543
2011	61,615	39,928	101,543
2012	57,409	37,510	94,919
2013	53,030	35,268	88,298
2014-2018	298,914	142,775	441,689
2019-2023	363,430	78,358	441,788
2024-2025	166,340	21,860	188,200
	<u>\$ 1,160,638</u>	<u>\$ 442,472</u>	<u>\$ 1,603,110</u>

C. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 651,889
16th Section Principal	Other Governmental Funds	4,185
Other Governmental Funds	General Fund	331,711
	16th Section Principal Fund	<u>31,797</u>
		<u>\$ 1,019,582</u>

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

(4) Restricted Assets.

The restricted assets represent the cash balance and investment balance, totaling \$214,764, and \$1,324, respectively, 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 cash with fiscal agent totaling \$63 of the QZAB Bond Retirement Fund. In addition the restricted assets represent the investment balance totaling \$295,479 of the MAEP Limited Obligation Bond Fund.

(5) Investment in Capital Assets, net of related debt

The investment in capital assets, net of related debt on Exhibit A includes \$2,225,857 of cash and investments in the Building Repairs and Renovations Fund (3028). This money is from the \$2,250,000 three mill notes for capital expenditures, and had not been expended.

PERRY COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(6) Capital Assets.

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

	Balance 7/1/2007	Additions	Retirements	Balance 6/30/2008
<b><u>Non-depreciable capital assets:</u></b>				
Land	\$ 58,108			\$ 58,108
Total non-depreciable capital assets	<u>\$ 58,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,108</u>
<b><u>Depreciable capital assets:</u></b>				
Buildings	\$ 6,374,283			\$ 6,374,283
Building improvements	339,372			339,372
Mobile equipment	1,551,552	89,781		1,641,333
Furniture and equipment	352,958		7,818	345,140
Total depreciable capital assets	<u>\$ 8,618,165</u>	<u>\$ 89,781</u>	<u>\$ 7,818</u>	<u>\$ 8,700,128</u>
<b><u>Less accumulated depreciation:</u></b>				
Buildings	\$ 2,007,849	\$ 115,065		\$ 2,122,914
Building improvements	44,869	13,574		58,443
Mobile equipment	1,008,924	83,384		1,092,308
Furniture and equipment	318,656	10,433	7,740	321,349
Total accumulated depreciation	<u>\$ 3,380,298</u>	<u>\$ 222,456</u>	<u>\$ 7,740</u>	<u>\$ 3,595,014</u>
Total depreciable capital assets, net	<u>\$ 5,237,867</u>	<u>\$ (132,675)</u>	<u>\$ 78</u>	<u>\$ 5,105,114</u>
Governmental activities capital assets, net	<u>\$ 5,295,975</u>	<u>\$ (132,675)</u>	<u>\$ 78</u>	<u>\$ 5,163,222</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 131,189
Support Services	85,923
Non-instructional	5,344
	<u>\$ 222,456</u>

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

PERRY COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(7) Long-term liabilities.

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

	<u>Balance</u> <u>7/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2008</u>	<u>Amount Due</u> <u>Within One Year</u>
A. General obligation bonds payable	\$ 342,000		\$ 43,000	\$ 299,000	\$ 46,000
B. Limited obligation bonds payable	1,870,000		125,000	1,745,000	130,000
C. Three mill notes payable	215,000	2,250,000	65,000	2,400,000	70,000
D. QZAB payable	300,000			300,000	
E. Limited tax notes payable	125,000		62,000	63,000	63,000
F. Equipment lease purchase	204,000		65,216	138,784	67,961
G. Compensated absences payable	69,143	2,007		71,150	2,846
<b>Total long-term debt</b>	<b>\$ 3,125,143</b>	<b>\$ 2,252,007</b>	<b>\$ 360,216</b>	<b>\$ 5,016,934</b>	<b>\$ 379,807</b>

A. General obligation bonds payable.

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
General obligation refunding bonds, Series 2004	3.17%	06-01-04	12-01-13	\$ 464,000	299,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	46,000	8,749	54,749
2010	47,000	7,275	54,275
2011	49,000	5,754	54,754
2012	51,000	4,169	55,169
2013	53,000	2,520	55,520
2014	53,000	840	53,840
	<u>\$ 299,000</u>	<u>\$ 29,307</u>	<u>\$ 328,307</u>

This debt will be retired from the EEF Building and Buses Fund (2410).

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

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 1% of property assessments as of October 1, 2007.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement Bonds, Series 1998	4.375-6.2%	3-01-98	2-01-2018	\$2,475,000	\$1,745,000

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

Year Ending June 30	Principal	Interest	Total
2009	130,000	77,374	207,374
2010	140,000	71,364	211,364
2011	145,000	64,879	209,879
2012	150,000	58,094	208,094
2013	160,000	50,884	210,884
2014-2018	1,020,000	132,374	1,152,374
	<u>\$ 1,745,000</u>	<u>\$ 454,969</u>	<u>\$ 2,199,969</u>

This debt will be retired from the MAEP Retirement Fund (4041).

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. The district received \$216,718 in MAEP Retirement Fund money that was used to pay this debt. This debt consists of multiple principal amounts with interest rates ranging from 4.375% to 6.2% with a single maturity date.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2002	4.60%	06-15-02	06-15-10	500,000	150,000
Series 2008	4.12%	04-01-08	04-01-28	\$ 2,250,000	\$ 2,250,000
Total				<u>\$ 2,750,000</u>	<u>\$ 2,400,000</u>

PERRY COUNTY SCHOOL DISTRICT

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

Details of the district's June 30, three mill notes payable are as follows:

1. Three mill notes payable issued 2002

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	70,000	6,900	76,900
2010	80,000	3,680	83,680
	<u>\$ 150,000</u>	<u>\$ 10,580</u>	<u>\$ 160,580</u>

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

2. Three mill notes payable issued 2008

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 86,778	\$ 86,778
2010	-	92,700	92,700
2011	90,000	92,700	182,700
2012	105,000	88,992	193,992
2013	110,000	84,666	194,666
2014-2018	755,000	338,870	1,093,870
2019-2023	855,000	174,894	1,029,894
2024-2028	335,000	20,806	355,806
	<u>\$ 2,250,000</u>	<u>\$ 980,406</u>	<u>\$ 3,230,406</u>

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

Total three mill notes payable for all issues

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 70,000	\$ 93,678	\$ 163,678
2010	80,000	96,380	176,380
2011	90,000	92,700	182,700
2012	105,000	88,992	193,992
2013	110,000	84,666	194,666
2014-2018	755,000	338,870	1,093,870
2019-2023	855,000	174,894	1,029,894
2024-2028	335,000	20,806	355,806
	<u>\$ 2,400,000</u>	<u>\$ 990,986</u>	<u>\$ 3,390,986</u>

D. Qualified zone academy bonds payable.

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

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

PERRY COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

E. Limited tax notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2006	3.87%	09-01-06	09-01-08	125,000	63,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	63,000	2,438	65,438
	<u>\$ 63,000</u>	<u>\$ 2,438</u>	<u>\$ 65,438</u>

F. Obligations under capital lease.

The school district has entered into a lease agreement as lessee for financing the acquisition of computer equipment and software at a cost of \$204,000. 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	67,961	5,843	73,804
2010	70,823	2,981	73,804
	<u>\$ 138,784</u>	<u>\$ 8,824</u>	<u>\$ 147,608</u>

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

G. 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.

(8) Prior Year Defeasance of Debt.

In the prior years, the Perry County School District defeased certain Trust Certificates by placing the proceeds of new bonds, less issuance costs, in an irrevocable trust to provide for all future debt service payments on the Trust Certificates. Accordingly, the trust account assets and liability for the defeased debt are not included in the district's financial statements. On June 30, 2008, \$299,000 of certificates outstanding is considered defeased.

(9) 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'

PERRY COUNTY SCHOOL DISTRICT

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

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 \$796,712, \$717,732 and \$627,385, respectively, which equaled the required contributions for each year.

(10) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Total</u>
2009	\$ 62,628
2010	59,805
2011	17,488
2012	2,637
2013	2,066
2014-2018	8,507
2019-2023	4,089
Thereafter	18,090
	<u>\$ 175,310</u>

(11) Deficit Fund Balance of Individual Funds.

The District Maintenance Fund has a deficit fund balance in the amount of \$584,905. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972). Section 37-61-19, Miss. Code Ann. (1972), imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

(12) Prior Period Adjustment

A Summary of significant fund equity adjustments is as follows:

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

<u>Major Funds</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Correction of error on the 2007 report resulting from elimination of interfund Transfers	\$ 11,150
Other Governmental Funds	Correction of error on the 2007 report resulting from elimination of interfund Transfers	(11,150)
	Total	\$ -

PERRY COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

(13) Risk Management.

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

(14) Qualified Zone Academy Bonds.

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 1. The payments to the sinking fund are made from the QZAB fund (4024). The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the future yearly deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Total</u>
2009	\$ 30,000
2010	22,000
2011	9,000
	<u>\$ 61,000</u>

**PERRY COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**PERRY COUNTY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE 1A**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	\$ 2,305,275	\$ 2,281,194	\$ 2,281,194	\$ (24,081)	\$ -
State sources	6,333,910	6,277,519	6,277,519	(56,391)	-
Federal sources	400,000	632,254	632,254	232,254	-
Total Revenues	9,039,185	9,190,967	9,190,967	151,782	-
<b>EXPENDITURES</b>					
Instruction	5,516,500	5,552,436	5,552,436	(35,936)	-
Support services	3,005,329	3,432,855	3,432,855	(427,526)	-
Non-instructional services	-	-	-	-	-
Debt Service:					
Principal	53,183	65,216	65,216	(12,033)	-
Interest	48,360	33,036	33,036	15,324	-
Total Expenditures	8,623,372	9,083,543	9,083,543	(460,171)	-
Excess (deficiency) of Revenues over (under) Expenditures	415,813	107,424	107,424	(308,389)	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	961,166	331,711	331,711	(629,455)	-
Transfers out	(1,612,085)	(651,889)	(651,889)	960,196	-
Total Other Financing Sources (Uses)	(650,919)	(320,178)	(320,178)	330,741	-
Net change in fund balances	(235,106)	(212,754)	(212,754)	22,352	-
Fund Balances-- July 1, 2007			(272,792)		
Prior Period Adjustment			11,150		
Fund Balances-- July 1, 2007, as restated			(261,642)		
Fund Balances--June 30, 2008			\$ (474,396)		

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

PERRY COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2008

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules 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 revision

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

**PERRY COUNTY SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

PERRY COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 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:		
Non-cash assistance:		
Child nutrition cluster		
School breakfast program	10.553	190,461
National school lunch program	10.555	441,788
Total child nutrition cluster		<u>632,249</u>
Schools and roads - grants to states	10.665	569,031
Total U.S. Department of Agriculture		<u>1,201,280</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	15,220
Total Federal Communications Commission		<u>15,220</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	413,694
Career and technical education - basic grants to states	84.048	28,818
Safe and drug-free schools and communities - state grants	84.186	10,013
Even start - state educational agencies	84.213	45,974
Twenty-first century community learning centers	84.287	69,961
State grants for innovative programs	84.298	2,706
Education technology state grants	84.318	4,158
Reading first state grants	84.357	611,837
Rural education	84.358	54,949
Improving teacher quality - state grants	84.367	126,761
Grants for state assessments and related activities	84.369	7,795
Total		<u>1,376,666</u>
Special education cluster:		
Special education - grants to states	84.027	268,932
Special education - preschool grants	84.173	12,236
Total		<u>281,168</u>
Total passed-through Mississippi Department of Education		<u>1,657,834</u>
Total U.S. Department of Education		<u>1,657,834</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	48,004
Total U.S. Department of Health and Human Services		<u>48,004</u>
<u>U.S. Department of Homeland Security</u>		
Pass-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	1,500
Total Department of Homeland Security		<u>1,500</u>
Total for All Federal Awards		<u>\$ 2,923,838</u>

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 9,678,675	\$ 7,278,629	\$ 668,076	\$ 713,305	\$ 1,018,665
Other	<u>3,402,102</u>	<u>820,704</u>	<u>166,157</u>	<u>65,075</u>	<u>2,350,165</u>
Total	<u>\$ 13,080,776</u>	<u>\$ 8,099,333</u>	<u>\$ 834,233</u>	<u>\$ 778,380</u>	<u>\$ 3,368,830</u>
Total number of students *	1,261				
Cost per student	<u>\$ 10,373</u>	<u>\$ 6,423</u>	<u>\$ 662</u>	<u>\$ 617</u>	<u>\$ 2,672</u>

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

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

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

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

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

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

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

**PERRY COUNTY SCHOOL DISTRICT**

**OTHER SUPPLEMENTAL INFORMATION**

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

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 2,281,194	2,274,582	2,377,128	2,163,469
State sources	6,277,519	5,837,850	5,514,755	4,934,902
Federal sources	632,254	645,041	540,016	992,532
Total Revenues	<u>9,190,967</u>	<u>8,757,473</u>	<u>8,431,899</u>	<u>8,090,903</u>
<b>Expenditures:</b>				
Instruction	5,552,436	5,423,022	4,933,536	4,445,529
Support services	3,432,855	3,261,818	2,811,810	3,277,411
Facilities acquisition and construction				291
<b>Debt service:</b>				
Principal	65,216	350,000		300,000
Interest	33,036	77,702	3,053	4,481
Total Expenditures	<u>9,083,543</u>	<u>9,112,542</u>	<u>7,748,399</u>	<u>8,027,712</u>
Excess (Deficiency) of Revenues over Expenditures	<u>107,424</u>	<u>(355,069)</u>	<u>683,500</u>	<u>63,191</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	350,000	-	300,000
Sale of transportation equipment	-	1,631	-	
Operating transfers in	331,711	698,932	999,834	1,093,740
Operating transfers out	(651,889)	(814,150)	(2,436,767)	(1,214,606)
Total Other Financing Sources (Uses)	<u>(320,178)</u>	<u>236,413</u>	<u>(1,436,933)</u>	<u>179,134</u>
Net Change in Fund Balances	<u>(212,754)</u>	<u>(118,656)</u>	<u>(753,433)</u>	<u>242,325</u>
<b>Fund Balances:</b>				
July 1,	(272,792)	(154,136)	868,297	535,172
Prior period adjustments	11,150		(269,000)	90,800
July 1, as restated	<u>(261,642)</u>	<u>(154,136)</u>	<u>599,297</u>	<u>625,972</u>
June 30,	<u>\$ (474,396)</u>	<u>(272,792)</u>	<u>(154,136)</u>	<u>868,297</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 2,642,280	2,643,694	2,670,714	2,425,798
State sources	6,942,617	6,464,170	6,137,862	5,675,539
Federal sources	2,879,674	3,047,922	3,234,218	3,616,643
Sixteenth section sources	274,739	226,262	338,485	298,874
<b>Total Revenues</b>	<b>12,739,310</b>	<b>12,382,048</b>	<b>12,381,279</b>	<b>12,016,854</b>
<b>Expenditures:</b>				
Instruction	7,519,915	7,813,444	7,222,978	6,928,765
Support services	4,146,613	4,493,962	3,810,048	3,941,301
Noninstructional services	753,764	814,860	699,530	679,914
Sixteenth section	159,092	16,429	0	644
Facilities acquisition and construction	0	39,841	1,001,864	390,163
<b>Debt service:</b>				
Principal	360,216	572,000	211,000	499,000
Interest	140,119	189,993	125,977	137,768
Other	1,057	1,068	1,079	1,089
<b>Total Expenditures</b>	<b>13,080,776</b>	<b>13,941,597</b>	<b>13,072,476</b>	<b>12,578,644</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(341,466)</b>	<b>(1,559,549)</b>	<b>(691,197)</b>	<b>(561,790)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	2,250,000	679,000	0	300,000
Insurance loss recoveries	0	653,156	400,000	0
Sale of transportation equipment	0	1,631		
Operating transfers in	1,019,582	1,513,084	2,749,394	2,230,140
Payments held by escrow agents	30,000	30,000	33,000	33,000
Operating transfers out	(1,019,582)	(1,513,084)	(2,749,394)	(2,230,140)
Payment to refunded bond escrow agent	(30,000)	(30,000)	(33,000)	(33,000)
Other financing uses		0	0	(2,118)
<b>Total Other Financing Sources (Uses)</b>	<b>2,250,000</b>	<b>1,333,787</b>	<b>400,000</b>	<b>297,882</b>
<b>Net Change in Fund Balances</b>	<b>1,908,534</b>	<b>(225,762)</b>	<b>(291,197)</b>	<b>(263,908)</b>
<b>Fund Balances:</b>				
July 1,	2,250,815	2,476,185	2,767,401	3,028,867
Prior period adjustments			(4,153)	3,312
July 1, as restated	2,250,815	2,476,185	2,763,248	3,032,179
<b>Increase (Decrease) in reserve for inventory</b>	<b>328</b>	<b>392</b>	<b>4,134</b>	<b>(870)</b>
June 30,	\$ 4,159,677	2,250,815	2,476,185	2,767,401

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PERRY COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2008, which collectively comprise the Perry County School District's basic financial statements and have issued our report thereon dated January 6, 2009. 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 described below, we identified a certain deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding **2008-01** to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we consider the significant deficiency described above in Finding **2008-01** to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated January 6, 2009, which is included in this report.

Perry County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Perry County School District's response 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.

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
January 6, 2009

**PERRY COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Perry County School District

### Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
January 6, 2009

**PERRY COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2008, which collectively comprise Perry County School District's basic financial statements and have issued our report thereon dated January 6, 2009. 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 **\$1,824** 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 the following instances of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number SL-1 below.

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 instances of noncompliance with other state laws and regulations. Our findings and recommendations and your response are as follows:

Finding SL-1 Coding at the Function Level

The results of our procedures performed to test compliance of correct and appropriate function level tests disclosed payroll related expenses for Reading First Directors incorrectly coded to function 2330 (Special Area Administration) rather than function 1290 (Other Special Programs).

Recommendation:

We recommend the district use correct function coding to comply with Section 39-9-18(3)(b), Miss. Code Ann. (1972).

School District Response:

The Perry County School District has addressed and corrected this issue.

Finding SL-2 Activity Fund Accounting

The School Accounting Manual issued by the Mississippi Department of Education requires activity funds be accounted for as "general funds".

In performing tests to the District's activity funds we noted several funds which were improperly classified as an activity/club account and reported as agency funds.

Recommendation:

We recommend the district comply with the School Accounting Manual regarding accounting for student activity funds.

School District Response:

The Perry County School District has addressed and corrected this issue.

Page 3

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 Perry County School District's responses to the findings included in this report were not audited 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.

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
January 6, 2009

**PERRY COUNTY 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 general purpose financial statements:            | <u>UNQUALIFIED</u> |
| 2. Material noncompliance relating to the general purpose financial statements?            | <u>NO</u>          |
| 3. Internal control over financial reporting:  |                    |
| a. Material weakness (es) identified?  | <u>YES</u>         |
| b. Significant Deficiency(ies) identified that are not considered to be material weakness? | <u>NO</u>          |

**Federal Awards:**

- |   |                      |
|---|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs:  | <u>UNQUALIFIED</u>   |
| 5. Internal control over major programs:  |                      |
| a. Material weakness (es) identified?   | <u>NO</u>            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses?  | <u>NO</u>            |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133?  | <u>NO</u>            |
| 7. Federal programs identified as major programs:   |                      |
| Special Education Cluster   |                      |
| Special Education – Grants to States  | CFDA # <u>84.027</u> |
| Special Education – Preschool Grants  | CFDA # <u>84.173</u> |
| Reading First – State Grants  | CFDA # <u>84.357</u> |
| 8. The dollar threshold used to distinguish between Type A and Type B programs:   | <u>\$300,000</u>     |
| 9. Auditee qualified as a low-risk auditee?   | <u>YES</u>           |
| 10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133? | <u>NO</u>            |

## Section 2: Financial Statement Findings

### Finding 2008-1: Material Weakness in Internal Control

#### Financial Statement Presentation

*Condition:* The School District's financial statements are the responsibility of management. During the course of our audit we identified material misstatements in the financial statements.

*Criteria:* Audit adjustments were required because of material misstatements identified in the financial statements, this deficiency constitutes a material weakness in the districts internal control over financial reporting.

*Cause:* Payroll expenditures for certain administrators were coded incorrectly at the function level.

*Effect:* Misclassified expenditures could cause the financial statements to be materially misstated.

*Recommendation:* Management should review the procedures for coding payroll expenditures to ensure all expenditures are properly reported.

## Section 3: Federal Award Findings and Questioned Cost

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

**PERRY COUNTY SCHOOL DISTRICT**

**AUDITEE'S CORRECTIVE ACTION PLAN**

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315 (b) of OMB Circular A-133, the Perry County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008:

<u>Finding</u>	<u>Correction Action Plan Details</u>
----------------	---------------------------------------

2008-1	The business manager will implement procedures to review all function level coding.
--------	---

Evelyn Garner, business manager will monitor to insure procedures are being followed. Telephone 601-964-3211.

**PERRY COUNTY SCHOOL DISTRICT**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

## AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315 (b) of OMB Circular A-133, the Perry County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
----------------	---------------------------------------

There are no unresolved prior audit findings.