

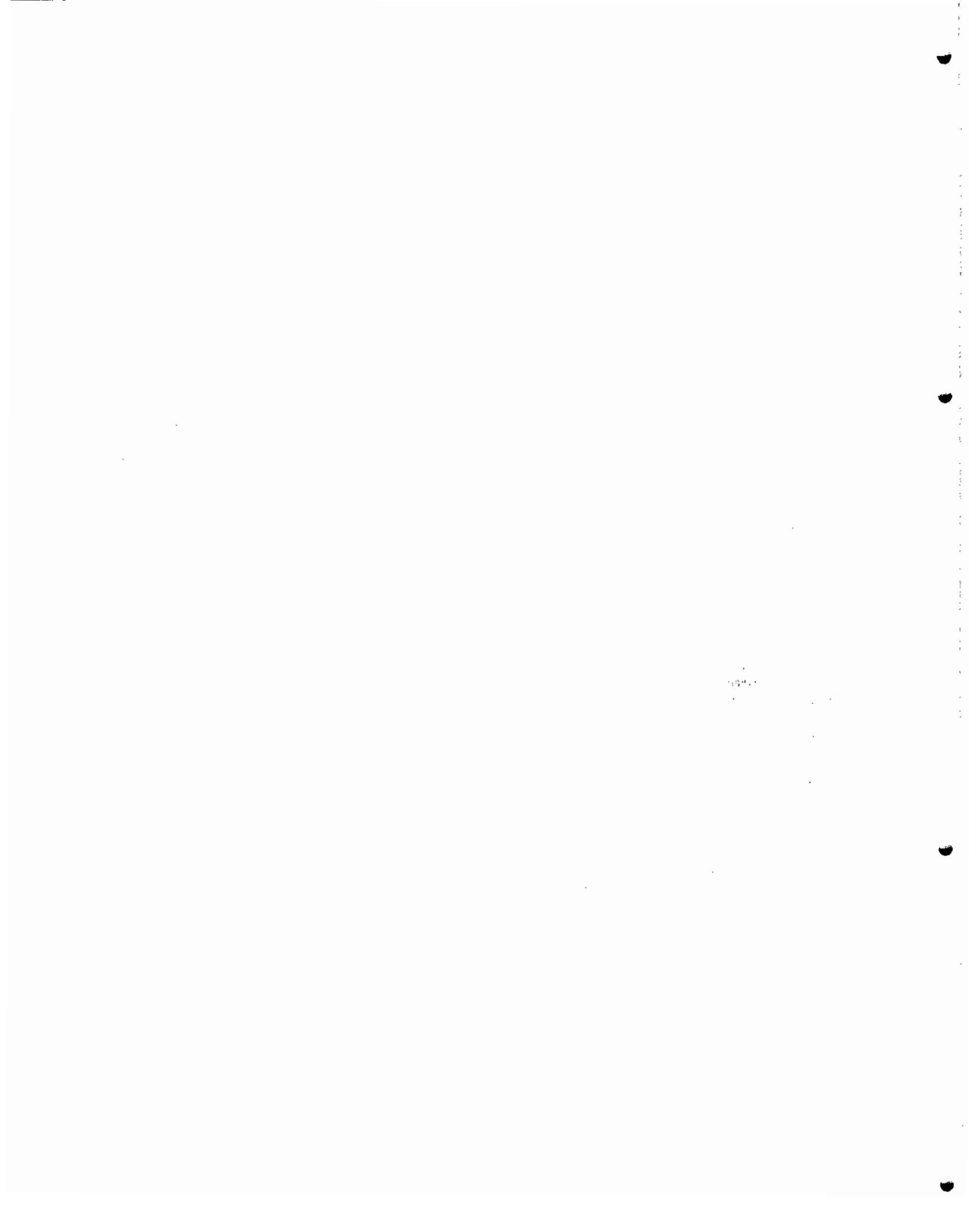


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PRETISS COUNTY SCHOOL DISTRICT

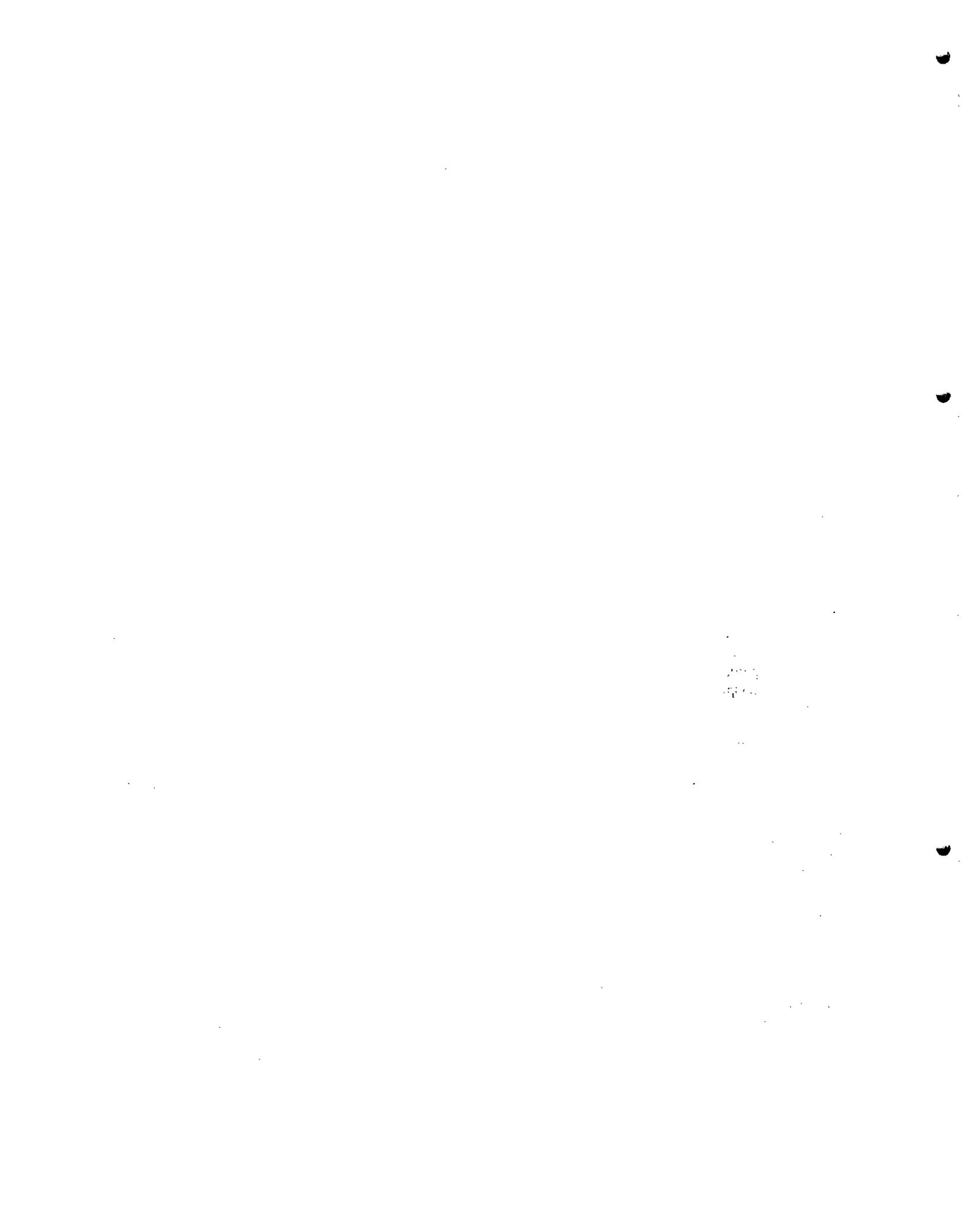
AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008



**PRENTISS COUNTY SCHOOL DISTRICT
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JUNE 30, 2008**

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

Superintendent and School Board
Prentiss County School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Prentiss County School District at 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 September 29, 2009, on our consideration of the Prentiss County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 and the Budgetary Comparison Schedules and corresponding notes on pages 37 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

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

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

Brauner, Van Stuy & Co. P.A.

September 29, 2009
Booneville, Mississippi

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

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

FINANCIAL HIGHLIGHTS

Total net assets increased by \$628,888, which represents 10.2% increase from fiscal year 2007.

General revenues account for \$16,191,156 in revenue, or 78.26% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,497,999 or 21.74% of total revenues.

The District had \$20,079,876 in expenses; only \$4,497,999 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,191,156 were adequate to provide for these programs.

Among major funds, the General Fund had \$15,548,921 in revenues and \$15,403,666 in expenditures. The General Fund's fund balance increased \$429,075 over the prior year. A prior period adjustment of \$6,388 was made.

Capital assets, net of accumulated depreciation, decreased by \$88,304.

Long-term debt decreased by \$544,710.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-36 of this report.

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

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 schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 37-40 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 41 of this report. A Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds can be found on page 42. Two new statements have been added this year, which are, Statements of Revenue, Expenditures, and Changes in Fund Balance for the last four years for the General Fund and All Governmental Funds. These can be found on pages 43-44.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$6,779,126 as of June 30, 2008.

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

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

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

Table 1
Condensed Statement of Net Assets

	2008 Amount	2007 Amount	Total Percentage Change 2007-2008
Current and other assets	\$ 3,392,011	\$ 3,371,627	0.6%
Capital assets, net	10,109,231	10,197,535	-0.9%
Total assets	<u>13,501,242</u>	<u>13,569,162</u>	<u>-0.5%</u>
Current liabilities	98,868	250,966	-60.6%
Long-term debt outstanding	6,623,248	7,167,958	-7.6%
Total liabilities	<u>6,722,116</u>	<u>7,418,924</u>	<u>-9.4%</u>
Net assets:			
Invested in capital assets, net of related debt	4,119,231	3,697,535	11.4%
Restricted	810,444	774,578	4.6%
Unrestricted	1,849,451	1,678,125	10.2%
Total net assets	<u>\$ 6,779,126</u>	<u>\$ 6,150,238</u>	<u>10.2%</u>

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

The principal retirement of \$755,005 of long-term debt. \$3,075,000 was also reduced as a defeasance of debt. The addition to capital assets of land and construction of \$119,629 and equipment \$165,682 less depreciation of \$359,957.

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

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$20,689,157. The total cost of all programs and services was \$20,079,876. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008.

Table 2
Changes in Net Assets

	2008 Amount	2007 Amount	Total Percentage Change 2007-2008
Revenues:			
Program revenues			
Charges for services	\$ 971,807	\$ 1,334,675	-27.2%
Operating grants & contributions	3,526,192	3,397,414	3.8%
General revenues			
Tax levies	2,939,321	2,747,525	7.0%
Federal & state grants unrestricted	12,692,590	11,840,671	7.2%
Other	559,245	139,423	301.1%
Extraordinary income	-	1,000,000	-100.0%
Total revenues	20,689,155	20,459,708	1.1%
Expenses:			
Instruction	12,832,709	11,876,207	8.1%
Support services	5,288,336	4,951,903	6.8%
Non-instructional	1,588,814	1,454,801	9.2%
Interest on long-term liabilities	370,017	327,796	12.9%
Total expenses	20,079,876	18,610,707	7.9%
Increase in net assets	609,279	1,849,001	-67.0%
Net Assets, Beginning	6,150,238	4,280,148	43.7%
Prior period adjustment	19,609	21,089	-7.0%
Net Assets, Beginning, Restated	6,169,847	4,301,237	43.4%
Net Assets, Ending	\$ 6,779,126	\$ 6,150,238	10.2%

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Total	Net (Expenses) Revenue		Total
	2008	2007	Percentage 2007-2008	2008	2007	Percentage 2007-2008
Instruction	\$ 12,832,709	\$ 11,876,207	8.1%	(10,185,367)	(9,825,599)	3.7%
Support services	5,288,336	4,951,903	6.8%	(4,692,591)	(3,562,733)	31.7%
Non-instructional	1,588,814	1,454,801	9.2%	(333,902)	(162,490)	105.5%
Interest on long-term liabilities	370,017	327,796	12.9%	(370,017)	(327,796)	12.9%
Total expenses	\$ 20,079,876	\$ 18,610,707	7.9%	\$ (15,581,877)	\$ (13,878,618)	12.3%

Net cost of governmental activities \$15,581,877 was financed by general revenue, which is made up of primarily property taxes \$2,939,321, state revenue \$12,573,982, and federal revenue of \$118,608. Investment earnings accounted for \$239,341.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,618,740, an increase of \$525,084 over the 2007 year, which includes an increase to fund balance of \$4,773 for prior period adjustments. The fund balance constitutes reserved fund balance of \$ 529,559 and unreserved fund balance of \$2,089,181, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$435,463, including a prior period adjustment of \$6,388 over the 2007 year. The fund balance of all remaining Governmental Funds was \$842,121, an increase of \$89,621 over the 2007 year.

BUDGETARY HIGHLIGHTS

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

General Fund

Revenue: Less revenue was collected from local sources due to gate receipts and concessions being less than anticipated. State sources were more than budgeted due to more revenue received for driver's education funds and National Board Certified teachers. We did not anticipate, at budget time, receiving less E-rate and TVA in Lieu monies.

Expenditures: More teachers were hired after the budget was prepared. Due to salaries and purchasing of supplies, we spent less than anticipated at budget preparation in support services. Land was purchased at Wheeler after budget preparation that increased expenses in Facilities Acquisition and Construction. Principal and interest in Debt Service was less than anticipated at the time of the budget.

Other Financing Sources: Bus sales and Shortfall notes were not anticipated at budget time. More revenues were received in transfers in due to indirect cost. Transfers out were more than anticipated at time of budget due to hiring of new employees. We did not expect insurance loss recovery at time of budget. Other sources were not anticipated at budget time due to an agreement with the Booneville Municipal School District and the Prentiss County School District.

Title I

Revenues: We anticipated more federal revenue at budget preparation than received.

Expenditures: Due to a change in salary and fringe benefits, more expenditures were budgeted than actually expensed. Due to staff reduction, support service was less than budgeted.

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

BUDGETARY HIGHLIGHTS (Continued)

Improving Teacher Quality

Revenues: More federal revenue was anticipated at budget time than received.

Expenditures: Instruction expenditures were less than originally budgeted due to change in salaries not expected. Support services were more than originally budgeted due to expenditures not expected when budget was prepared.

An expenditure was paid from the wrong fund requiring a prior period adjustment.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's net capital assets were \$10,109,231, a decrease of \$88,304. Total accumulated depreciation as of June 30, 2008 was \$4,048,507 and total depreciation expense for the year was \$359,957 resulting in total net capital assets of \$10,109,231.

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

Debt Administration. At June 30, 2008, the District had \$6,623,248 in limited obligation bonds and other long-term debt outstanding, of which \$736,959 is due within one year.

Additional information of the District's long-term debt can be found in Note 6 on page 29 of this report.

CURRENT ISSUES

The Prentiss County School District has extended programs for the 21st Century Grant at Hills Chapel. The 21st Century Grant was also started in January at Thrasher and Jumpertown. We have continued the class size reduction program. We provide full time counselors at all high schools. We offer a foreign language at all high schools. Art is offered to all our students. Teachers have attended continuing education for training on advanced placement classes. We are looking forward to students in our high school being able to take advanced placement classes in English, Biology and Calculus. We acquired new land at New Site and Wheeler. Twelve school buses were purchased to improve our transportation. We have students dually enrolled at Northeast Mississippi Community College to receive college credit.

We started high school football at Wheeler and Jumpertown. A football field is in the process of being built by the Marietta community.

The Prentiss County School District is always looking for new ways to expand the education opportunities for the students of our county. As always we strive to have a safe and healthy environment for students to attend school.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Exhibit A

**PRENTISS COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 1,945,143
Investments	34,368
Due from other governments	642,193
Inventories	27,572
Deferred charges	142,735
Other receivable (Note 3)	
Due within one year	300,000
Due after one year	300,000
Capital assets, non-depreciable (Note 5)	
Land	252,834
Construction in Progress	49,720
Capital assets, net of accumulated depreciation (Note 5)	
Buildings	8,775,264
Building improvements	322,232
Improvements other than buildings	95,295
Mobile equipment	444,406
Furniture and equipment	116,320
Leased property under capital leases	53,160
Total Assets	<u>13,501,242</u>
LIABILITIES	
Accounts payable and accrued liabilities	2,088
Interest payable on long term liabilities	41,965
Unearned revenue	28,448
Unamortized Premium	26,367
Long term liabilities (due within one year) (Note 6)	
Capital related liabilities	600,000
Non-capital liabilities	136,959
Long term liabilities (due after one year) (Note 6)	
Capital related liabilities	5,390,000
Non-capital liabilities	496,289
Total Liabilities	<u>6,722,116</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,119,231
Restricted net assets:	
Expendable:	
Schoolbased activities	343,872
Debt service	256,061
Capital projects	159,466
Unemployment	51,045
Unrestricted	1,849,451
Total Net Assets	<u>\$ 6,779,126</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities						
Instruction	\$ 12,832,709	593,548	2,053,794	-	(10,185,367)	
Support services	5,288,336	-	595,745	-	(4,692,591)	
Noninstructional services	1,588,814	378,259	876,653	-	(333,902)	
Interest on long-term liabilities	370,017	-	-	-	(370,017)	
Total Governmental Activities	20,079,876	971,807	3,526,192	-	(15,581,877)	
General Revenues:						
Taxes:						
General Purpose levies						2,697,267
Debt service levies						242,054
Unrestricted grants and contributions						
State						12,573,982
Federal						118,608
Unrestricted investment earnings						239,341
Other						319,904
Total General Revenues						16,191,156
Change in Net Assets						
						609,279
Net Assets-Beginning						6,150,238
Prior period adjustment						19,609
Net Assets-Beginning as Restated						6,169,847
Net Assets-Ending						\$ 6,779,126

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

PRENTISS COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

EXHIBIT C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Improving Teacher Quality Fund	MAEP Retirement		
ASSETS						
Cash and cash equivalents (Note 2)	\$ 1,363,449	-	-	-	581,694	1,945,143
Investments (Note 2)	-	-	-	34,368	-	34,368
Due from other governments	255,949	64,591	57,263	198,238	64,560	640,601
Due from other funds	171,827	-	-	-	12,518	184,345
Inventories	-	-	-	-	27,572	27,572
Total Assets	1,791,225	64,591	57,263	232,606	686,344	2,832,029
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued liabilities	2,088	-	-	-	-	2,088
Due to other funds (Note 4)	12,518	64,591	57,263	-	48,381	182,753
Unearned revenue	-	-	-	-	28,448	28,448
Total Liabilities	14,606	64,591	57,263	-	76,829	213,289
Fund Equity						
Reserved for						
Inventory	-	-	-	-	27,572	27,572
Ad valorem taxes	3,738	-	-	-	-	3,738
Debt Service	-	-	-	232,606	55,132	287,738
Capital Projects	-	-	-	-	159,466	159,466
Unemployment benefits	-	-	-	-	51,045	51,045
Unreserved and undesignated:						
Reported in General Funds	1,772,881	-	-	-	-	1,772,881
Special Revenue Funds	-	-	-	-	316,300	316,300
Total Fund Balances	1,776,619	-	-	232,606	609,515	2,618,740
Total Liabilities and Fund Balances	\$ 1,791,225	64,591	57,263	232,606	686,344	2,832,029

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

Prentiss County School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Government Funds	\$ 2,618,740
Amounts reported for governmental activities in the Statement of are different because:	
1 Capital assets are used in governmental activities, are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,048,507. (Note 5)	10,109,231
2 Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 6)	(6,623,248)
3 Accrued interest on debt not due and payable in the current period and therefore, not reported in the funds.	(41,965)
4 Debt issuance costs are reported as expenditures in the governmental funds, but are capitalized and amortized over the life of the debt in the statement of net assets.	142,735
5 Unamortized premium costs are reported as other sources of fund in the governmental funds, but are capitalized and amortized over the life of the debt in the statement of net assets.	(26,367)
6 Receivable for settlement of lawsuit, not recognized in governmental funds. (Note 3)	<u>600,000</u>
Total Net Assets - Governmental Activities	<u>\$ 6,779,126</u>

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

PRENTISS COUNTY SCHOOL DISTRICT
Statement of Revenue, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Improving Teacher Quality Fund	MAEP Retirement		
Revenues						
Local sources	\$ 3,654,544	-	-	71,738	768,769	4,495,051
State sources	11,775,769	-	-	396,476	1,412,336	13,584,581
Federal sources	118,608	470,087	166,922	-	1,836,995	2,592,612
Total Revenues	15,548,921	470,087	166,922	468,214	4,018,100	20,672,244
Expenditures						
Instruction	10,149,370	367,039	165,795	-	1,923,345	12,605,549
Support services	4,518,856	103,048	1,627	-	638,585	5,262,116
Noninstructional services	314,888	-	-	2,065	1,293,022	1,609,975
Facilities Acq & Constuction	119,629	-	-	-	-	119,629
Debt Service						
Principal	265,858	-	-	310,000	179,147	755,005
Interest	35,065	-	-	148,436	118,536	302,037
Other	-	-	-	75,954	-	75,954
Total Expenditures	15,403,666	470,087	167,422	536,455	4,152,635	20,730,265
Excess of Revenues Over (Under) Expenditures	145,255	-	(500)	(68,241)	(134,535)	(58,021)
Other Financing Sources (Uses)						
Proceeds of Refunding Bonds	-	-	-	3,200,000	-	3,200,000
Premium on bond refunding	-	-	-	29,297	-	29,297
Payment to refunded bond escrow agent	-	-	-	(3,152,325)	-	(3,152,325)
Proceeds of loans	79,021	-	-	-	-	79,021
Insurance Loss Recoveries	5,262	-	-	-	2,720	7,982
Sale of capital assets	8,435	-	-	-	-	8,435
Operating transfers in	91,314	-	-	-	300,212	391,526
Operating transfers out	(300,212)	-	-	-	(91,314)	(391,526)
Other Sources	400,000	-	-	-	-	400,000
Total Other Financing Sources (Uses)	283,820	-	-	76,972	211,618	572,410
Excess (deficiency) of revenues over expenditures and other sources (uses)	429,075	-	(500)	8,731	77,083	514,389
Fund Balances, July 1, 2007	1,341,156	-	-	223,875	528,625	2,093,656
Prior Period Adjustments	6,388	-	500	-	(2,115)	4,773
Fund Balances, July 1, 2007, Restated	1,347,544	-	500	223,875	526,510	2,098,429
Increase in reserve for inventory	-	-	-	-	5,922	5,922
Fund Balances, June 30, 2008	\$ 1,776,619	-	-	232,606	609,515	2,618,740

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

**Prentiss County School District
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the year ended June 30, 2008**

	<u>Amount</u>
Amounts reported for governmental activities in the statement of activities are different because:	\$ 514,389
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$285,311 and the depreciation expense amount to \$359,957. (Note 5)	(74,646)
2. Loan proceeds are reported as revenue in the governmental funds, but as increases to long-term debt in the statement of activities.	(3,279,021)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 6)	3,830,005
4. Bond premium and bond issuance costs are reported as sources and uses of funds in the governmental funds, but are deferred and amortized in the statement of activities.	46,657
5. Premium and bond issuance cost on debt are amortized over the life of the debt.	(14,590)
6. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activities.	15,331
7. Increase in compensated absences is reported as an adjustment to support services and noninstructional services.	(6,274)
8. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(28,494)
9. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities.	5,922
10. Payment on receivable for settlement of a lawsuit, recognized in governmental funds.	(400,000)
Change in Net Assets of Governmental Activities	<u>\$ 609,279</u>

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

**PRENTISS COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2008**

	<u>Fiduciary Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,187,411
TOTAL ASSETS	<u>1,187,411</u>
LIABILITIES	
Accounts payable & accrued liabilities	1,103,860
Due to other Funds	1,592
Due to student clubs	81,959
TOTAL LIABILITIES	<u>\$ 1,187,411</u>

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

PRENTISS COUNTY SCHOOL DISTRICT

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**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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, Prentiss 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. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria included 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 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.

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

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.

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

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

MAEP Retirement Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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:

Activity 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.

Accounts Payable Clearing – This fund is used to account for the district’s claims payable and the payment of those claims.

Payroll Clearing – This fund is used to account for salaries and related salaries expenditures payable and the payment of those payables.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS TYPES

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

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

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.

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 recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of the related cash flow. 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 reasonable 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 included 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 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.

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

F. Assets, liabilities and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents:

The district's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities and net assets or equity (Continued)

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 non-current 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 fund to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

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 cost of governmental fund type inventories are reported as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets

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

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

6. Capital Assets (Continued)

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.

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

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

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

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

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

9. Fund Equity

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

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

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

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

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

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

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

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(2) Cash and Cash Equivalents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss Code Ann. (1972). The collateral pledged for the school 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 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debts Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,945,143 and \$1,187,411, respectively. The bank balance was \$4,144,304.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$4,144,304 was exposed to custodial credit risk.

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

Investments

As of June 30, 2008, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Maturities (in years)	Fair Market Value	Rating
Hancock Horizon Treasury Sec Mmkt CL A	Less than 1	\$ 34,368	AAA
Total		\$ 34,368	

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

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

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

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 no investments requiring such disclosure.

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(3) Other Receivable

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

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

Year ending June 30	Amount
2009	\$ 300,000
2010	200,000
2011	100,000
	\$ 600,000

(4) Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To	Reason
Governmental funds			
General fund	\$ 171,827	12,518	Loans to funds awaiting reimbursement
Title I	-	64,591	Loans to funds awaiting reimbursement
Improving teacher quality fund	-	57,263	Loans to funds awaiting reimbursement
Other governmental	12,518	48,381	Loans to funds awaiting reimbursement
Total Governmental Fund	184,245	182,753	
Fiduciary Funds	-	1,592	Interest earned not yet paid to General Fund
Total Due From/Due To	\$ 184,345	\$ 184,345	

B. Transfers In/Out

	Transfer In	Transfers Out	
Governmental funds			
General fund	\$ 91,314		Indirect costs
General fund	-	300,212	Support to other funds
Other governmental funds	-	91,314	Indirect costs
Other governmental funds	300,212	-	Support from general fund
Total Transfers In/Out	\$ 391,526	\$ 391,526	

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Capital Assets

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

	Balance 7/1/2007	Additions	Retirements	Adjustments	Balance 6/30/2008
Non-Depreciable Assets					
Land	\$ 183,425	69,909	-	(500)	252,834
Construction in Progress	-	49,720	-	-	49,720
Total Non-Depreciable Assets:	183,425	119,629	-	(500)	302,554
Depreciable Capital Assets:					
Buildings	11,525,536	-	-	-	11,525,536
Building improvements	375,330	15,735	-	15,336	406,401
Improvements other than Buildings	116,215	-	-	-	116,215
Mobile equipment	1,254,363	111,431	(269,174)	-	1,096,620
Furniture	539,268	38,516	(16,222)	-	561,562
Leased Equipment	148,850	-	-	-	148,850
Total Depreciable Capital Assets	13,959,562	165,682	(285,396)	15,336	13,855,184
Less: Accumulated Depreciation for:					
Buildings	2,530,477	219,795	-	-	2,750,272
Building Improvements	67,913	16,256	-	-	84,169
Improvements other than Buildings	16,271	4,649	-	-	20,920
Mobile Equipment	832,265	62,206	(242,257)	-	652,214
Furniture	421,974	37,913	(14,645)	-	445,242
Leased Equipment	76,552	19,138	-	-	95,690
Total Accumulated Depreciation	3,945,452	359,957	(256,902)	-	4,048,507
Total Depreciable Capital Assets (Net)	10,014,110	(194,275)	(28,494)	15,336	9,806,677
Governmental Activities Capital Assets	\$ 10,197,535	(74,646)	(28,494)	14,836	10,109,231

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 232,986
Support services	98,938
Non-instructional	28,033
Total Depreciation Expense	\$ 359,957

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Capital Assets (continued)

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

Governmental Activities	Spent to June 30, 2008	Remaining Commitment
Hills Chapel reroof	\$ 1,500	121,200
Marietta Football Field Lights	11,062	-
New Sire Multi-Purpose Building	11,392	95,190
Thrasher Multi-Purpose Building	25,766	66,650
	<u>\$ 49,720</u>	<u>283,040</u>

Marietta Football Field Lights project consists of light poles to be erected and electrical work to install lights. There are no outstanding contracts for these services, therefore there are no commitments under construction for this project.

Construction projects included in governmental activities are funded out of the general funds.

(6) Long-term liabilities

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due within 1 year
A General Obligation Refunding Bonds	\$ 880,000	-	210,000	670,000	215,000
B Limited Obligation Bonds Payable	3,315,000	-	3,315,000	-	-
C State Aid Capital IMP Refunding	-	3,200,000	70,000	3,130,000	265,000
D Three mill notes payable	2,305,000	-	115,000	2,190,000	120,000
E Ad Valorem Shortfall Note	102,602	79,021	64,147	117,476	78,753
F Obligation under energy efficiency lease	413,765	-	55,858	357,907	58,206
G Compensated absences	151,591	6,274	-	157,865	-
	<u>\$ 7,167,958</u>	<u>3,285,295</u>	<u>3,830,005</u>	<u>6,623,248</u>	<u>736,959</u>

\$240,000 of the \$3,315,000 reduction of Limited obligations bond were paid by the District. \$3,075,000 was a defeasance of debt.

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term liabilities (continued)

A. General obligation refunding bonds

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation School Refunding Bonds - Series 2004					
	1.5%-3.05%	2/1/2004	3/1/2011	\$ 1,465,000	\$ 670,000
Total				\$ 1,465,000	\$ 670,000

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 215,000	19,785	234,785
2010	225,000	13,765	238,765
2011	230,000	7,015	237,015
Total	\$ 670,000	40,565	710,565

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statute, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 1.03% of property assessments as of October 1, 2007. This debt will be retired from the District Maintenance Fund.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement	1.5-3.05%	4/1/1998	4/1/2018	\$ 4,615,000	-
Total				\$ 4,615,000	\$ -

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term liabilities (continued)

B. Limited obligation bonds payable (continued)

Current Refunding.

On September 11, 2007 the district issued \$3,200,000 in State Aid Capital Improvement Refunding Bonds, Series 2007 with an average interest rate of 4% to advance refund \$3,075,000 of outstanding State Aid Capital Improvement Bonds with an average interest rate of 4.77%. The net proceeds of \$3,152,325 after payments of \$75,954 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the State Aid Capital Improvement Bonds.

As a result, the State Aid Capital Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the State Aid Capital Improvement Bonds to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$80,406 and to obtain an economic gain of \$61,557.

- C. 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 refunding series 2007	4%	9/11/2007	4/1/2018	\$ 3,200,000	\$ 3,130,000
Total				<u>\$ 3,200,000</u>	<u>\$ 3,130,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 265,000	125,200	390,200
2010	275,000	114,600	389,600
2011	285,000	103,600	388,600
2012	300,000	92,200	392,200
2013	310,000	80,200	390,200
2014-2018	<u>1,695,000</u>	<u>205,400</u>	<u>1,900,400</u>
Total	<u>\$ 3,130,000</u>	<u>721,200</u>	<u>3,851,200</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss Code Ann. (1972). The state aid capital improvements bonds are not included in the computation of the debt-limited percentage. This debt will be retired from the MAEP Debt Retirement Fund.

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term liabilities (continued)

D. Three-mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Loan	4.10%	8/1/2002	6/1/2012	\$ 400,000	320,000
Building Loan	4.00-4.50%	8/1/2002	6/1/2010	770,000	215,000
Building Loan	4.75-5.10%	8/1/2002	8/1/2022	1,655,000	1,655,000
				<u>\$ 2,825,000</u>	<u>2,190,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 120,000	103,553	223,553
2010	125,000	99,105	224,105
2011	140,000	94,343	234,343
2012	150,000	87,703	237,703
2013	130,000	80,278	210,278
2014-2018	765,000	304,020	1,069,020
2019-2022	760,000	98,525	858,525
Total	<u>\$ 2,190,000</u>	<u>867,527</u>	<u>3,057,527</u>

This debt will be retired from the Three Mill Debt Retirement Fund and EEF Buildings and Bus Fund.

E. Ad valorem tax shortfall note

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Ad Valorem Tax Shortfall Note	5.45%	7/5/2006	6/25/2009	\$ 150,150	52,850
Ad Valorem Tax Shortfall Note	4.74%	10/15/2007	10/15/2010	79,021	64,626
				<u>\$ 229,171</u>	<u>117,476</u>

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 78,753	5,340	84,093
2010	27,138	1,234	28,372
2011	11,585	236	11,821
Total	<u>\$ 117,476</u>	<u>6,810</u>	<u>124,286</u>

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

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-Term Liabilities (Continued)

F. Obligation under energy efficiency lease

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Obligation Under Energy Efficiency Lease	4.125%	2/26/2003	1/1/2014	\$ 572,348	357,907
				<u>\$ 572,348</u>	<u>357,907</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 58,206	13,671	71,877
2010	60,653	11,224	71,877
2011	63,203	8,675	71,878
2012	65,860	6,018	71,878
2013	68,628	3,249	71,877
2014	41,357	571	41,928
Total	<u>\$ 357,907</u>	<u>43,408</u>	<u>401,315</u>

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

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

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

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

This debt will be retired from the District Maintenance Fund.

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.

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(7) Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 11.85% 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 Prentiss County School District's contributions to PERS for the years ending June 30, 2008, 2007, and 2006 were \$1,351,095, \$1,225,849, and \$1,163,285, respectively, equal to the required contributions for each year.

(8) Prior Period Adjustments/Exhibit

A summary of significant fund equity adjustments is as follows:

<u>Explanation</u>	Statement of Activities	Statement of Revenues, Expenditures, and Fund Balance
1 Disposal of land	\$ (500)	
2 Building improvements correction	15,336	
3 Under accrued revenue	6,888	6,888
4 Over accrued revenue	(2,115)	(2,115)
Total	<u>\$ 19,609</u>	<u>4,773</u>

(9) Risk Management

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

(10) Contingencies

Federal Grants. - The school district receives Federal Grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulation, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(11) Litigation

A lawsuit has been filed by an employee when some supplemental duties were terminated. A lawsuit was filed on a charge of discrimination by a former teacher. A law suit has been filed by a parent alleging violations of state and federal statutes. Another suit has been filed in a former cause of action. The District has responded to all cases. The District carries insurance and the outcomes cannot be determined.

(12) Vocational School Consortium

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

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

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

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

**PRETISS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note 12. Vocational School Consortium (continued)

Revenues

Local sources	
Tuition from other LEA's within the state:	
Booneville School District	\$ 100,930
State sources	1,142,568
Federal sources	54,161
Total Revenues	<u>1,297,659</u>

Expenditures

Salaries	1,214,274
Employee benefits	249,105
Purchased property services	36,599
Other purchased services	1,818
Property	36,984
Supplies	4,526
Other objects	1,163
Total Expenditures	<u>1,544,469</u>

Excess of Revenue Over (Under) Expenditures (246,810)

Other Financing Sources/Uses:

Operating transfers in	<u>246,810</u>
Total Other Financing Sources/Uses	<u>246,810</u>

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses -

Fund Balance:

July 1, 2007	-
June 30, 2008	<u>\$ -</u>

Prentiss County School District
 Budgetary Comparison Schedule for the General Fund
 For the year ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ 3,879,495	3,706,125	3,654,544	(173,370)	(51,581)
State Sources	11,689,749	11,775,769	11,775,769	86,020	-
Federal Sources	129,083	118,608	118,608	(10,475)	
Total Revenues	15,698,327	15,600,502	15,548,921	(97,825)	(51,581)
Expenditures					
Instruction	10,041,938	10,267,757	10,149,370	(225,819)	118,387
Support Services	4,612,294	4,569,209	4,518,856	43,085	50,353
Noninstructional Services	333,473	313,888	314,888	19,585	(1,000)
Facilities Acquisition and Construction	110,000	120,629	119,629	(10,629)	1,000
Debt Service:					
Principal	273,582	261,307	265,858	12,275	4,551
Interest	61,978	39,616	35,065	22,362	(4,551)
Total Expenditures	15,433,265	15,572,406	15,403,666	(139,141)	168,740
Excess (Deficiency) of Revenues over Expenditures	265,062	28,096	145,255	(236,966)	117,159
Other Financing Sources (Uses)					
Proceeds of loans	-	79,021	79,021	79,021	-
Sale of capital assets	-	8,435	8,435	8,435	-
Operating Transfers In	131,153	210,090	91,314	78,937	(118,876)
Operating Transfers Out	(396,215)	(418,988)	(300,212)	(22,773)	118,876
Insurance Loss Recoveries	-	5,262	5,262	5,262	-
Other Sources	-	400,000	400,000	400,000	-
Total Other Financing Sources (Uses)	(265,062)	283,820	283,820	548,882	-
Net Change in Fund Balances	-	311,916	429,075	311,916	117,159
Fund Balances					
July 1, 2007	776,794	1,516,437	1,341,156	739,643	(175,281)
Prior Period Adjustments	-	6,388	6,388	6,388	-
July 1, 2007, restated	776,794	1,522,825	1,347,544	746,031	(175,281)
June 30, 2008	\$ 776,794	1,834,741	1,776,619	1,057,947	(58,122)

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

Prentiss County School District
 Budgetary Comparison Schedule for the Title I Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ -	-	-	-	-
Federal Sources	516,964	462,783	470,087	(54,181)	7,304
Total Revenues	516,964	462,783	470,087	(54,181)	7,304
Expenditures					
Instruction	409,717	367,039	367,039	42,678	-
Support Services	107,247	103,048	103,048	4,199	-
Total Expenditures	516,964	470,087	470,087	46,877	-
Excess (Deficiency) of Revenues over Expenditures	-	(7,304)	-	(7,304)	7,304
Other Financing Sources(Uses)					
Operating Transfers In (Out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	-	(7,304)	-	(7,304)	7,304
Fund Balances					
July 1, 2007	-	7,713	-	7,713	(7,713)
June 30, 2008	\$ -	409	-	409	(409)

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

Prentiss County School District
Budgetary Comparison Schedule for the - Improving Teacher Quality Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ -	-	-	-	-
State Sources	-	-	-	-	-
Federal Sources	190,000	166,922	166,922	(23,078)	-
Total Revenues	190,000	166,922	166,922	(23,078)	-
Expenditures					
Instruction	189,875	165,795	165,795	24,080	-
Support Services	125	1,627	1,627	(1,502)	-
Total Expenditures	190,000	167,422	167,422	22,578	-
Excess (Deficiency) of Revenues over Expenditures	-	(500)	(500)	(500)	-
Other Financing Sources(Uses)					
Operating Transfers Out	-	-	-	-	-
Total Other Financing Sources Uses	-	-	-	-	-
Net Change in Fund Balance	-	(500)	(500)	(500)	-
Fund Balances					
July 1, 2007	-	-	-	-	-
Prior Period Adjustments	-	500	500	500	-
July 1, 2007 Restated	-	500	500	500	-
June 30, 2008	\$ -	-	-	-	-

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

**PRENTISS COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Basis of Presentation

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

(2) Budget amendments and revisions

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

Schedule 4

PRENTISS 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.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 266,278
National school lunch program	10.555	736,965
Total Child Nutrition Cluster		<u>1,003,243</u>
Total Passed-through MDE		<u>1,003,243</u>
Total U.S. Department of Agriculture		<u>1,003,243</u>
Federal Communications Commission		
Administered through Universal Service Administrative Company		
The schools and libraries program of the Universal Service Fund		
	32.xxx	<u>49,676</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Special Education Cluster:		
Special education - grants to states	84.027	525,606
Special education - preschool grants	84.173	48,475
Total Special Education Cluster		<u>574,081</u>
Title I grants to local educational agencies	84.010	470,087
Career and Technical Education - Basic Grants to States	84.048	54,835
Safe and drug-free schools and communities - state grants	84.186	15,750
Twenty-first century community learning centers	84.287	272,267
Education technology state grants	84.318	13,651
Improving teacher quality state grants	84.367	167,422
Total Passed-through MDE		<u>994,012</u>
Total U.S. Department of Education		<u>1,568,093</u>
Total for All Federal Awards		<u>\$ 2,621,012</u>

Notes to Schedule

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

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

Schedule 5

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 15,557,279	12,660,986	544,733	819,535	1,532,025
Other	5,172,986	1,194,307	431,085	24,543	3,523,051
Total	\$ 20,730,265	13,855,293	975,818	844,078	5,055,076
Total number of students *	2,062				
Cost per student \$	10,053	6,719	473	409	2,452

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

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

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

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

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

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

**Prentiss County School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
General Funds
Last Four Years**

UNAUDITED

Revenues	2008	2007*	2006*	2005*
Local sources	\$ 3,654,544	3,513,181	3,403,740	3,255,152
State sources	11,775,769	10,954,937	10,188,048	9,475,332
Federal sources	118,608	181,610	139,855	151,823
Total Revenues	15,548,921	14,649,728	13,731,643	12,882,307
Expenditures				
Instruction	10,149,370	9,306,407	9,126,621	8,242,731
Support services	4,518,856	4,264,855	3,711,064	3,701,311
Noninstructional services	314,888	294,408	302,681	275,733
Facilities acquisition and Construction	119,629	-	-	-
Debt Service:				
Principle	265,858	269,605	257,442	239,842
Interest	35,065	48,598	54,561	55,903
Total Expenditures	15,403,666	14,183,873	13,452,369	12,515,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	145,255	465,855	279,274	366,787
Other Financing Sources (Uses)				
Other sources	400,000	-	-	-
Proceeds of loans	79,021	150,150	-	-
Insurance Loss Recoveries	5,262	-	-	-
Sale of Other Property	8,435	800	-	-
Operating transfers in	91,314	26,195	40,000	33,511
Operating transfers out	(300,212)	(182,086)	(3,969)	(271,468)
Total Other Financing Sources (Uses)	283,820	(4,941)	36,031	(237,957)
Net Change In Fund Balance	429,075	460,914	315,305	128,830
Fund Balances, July 1	1,341,156	859,286	546,189	417,359
Prior Period Adjustment	6,388	20,956	(2,208)	-
Fund Balances as Restated	1,347,544	880,242	543,981	417,359
Fund Balances, June 30	\$ 1,776,619	1,341,156	859,286	546,189

* SOURCE - PRIOR YEAR AUDIT REPORTS

**Prentiss County School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
All Governmental Funds
Last Four Years**

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 4,495,051	4,280,696	4,060,886	3,951,494
State sources	13,584,581	12,774,677	12,124,259	11,059,228
Federal sources	2,592,612	2,403,891	2,540,023	2,601,698
Total Revenues	<u>20,672,244</u>	<u>19,459,264</u>	<u>18,725,168</u>	<u>17,612,420</u>
Expenditures				
Instruction	12,605,549	11,644,060	11,651,512	10,654,243
Support services	5,262,116	4,995,780	4,479,868	4,441,678
Noninstructional services	1,609,975	1,457,416	1,393,529	1,336,483
Facilities acquisition and Construction	119,629	-	-	-
Debt Service:				
Principle	755,005	652,153	577,444	549,842
Interest	302,037	338,263	350,261	388,390
Bond Issuance Costs	75,954	-	-	-
Total Expenditures	<u>20,730,265</u>	<u>19,087,672</u>	<u>18,452,614</u>	<u>17,370,636</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,021)</u>	<u>371,592</u>	<u>272,554</u>	<u>241,784</u>
Other Financing Sources (Uses)				
Proceeds of loans	79,021	150,150	-	-
Sale of Other Property	8,435	800	-	605
Insurance Loss Recoveries	7,982	342	-	-
Operating transfers in	391,526	211,281	43,969	304,979
Operating transfers out	(391,526)	(211,281)	(43,969)	(304,979)
Other sources	400,000	-	-	-
Proceeds of Refunding Bonds	3,200,000	-	-	-
Payment to Refunded Bond Escrow	(3,152,325)	-	-	-
Premium on Bond Refunding	29,297	-	-	-
Total Other Financing Sources (Uses)	<u>572,410</u>	<u>151,292</u>	<u>-</u>	<u>605</u>
Net Change in Fund Balance	<u>514,389</u>	<u>522,884</u>	<u>272,554</u>	<u>242,389</u>
Fund Balances, July 1	2,093,656	1,557,991	1,282,843	1,042,328
Prior Period Adjustment	4,773	21,089	(2,208)	(2,585)
Fund Balances as Restated	2,098,429	1,579,080	1,280,635	1,039,743
Increase (Decrease) in Reserve for Inventory	5,922	(8,308)	4,802	711
Fund Balances, June 30	<u>\$ 2,618,740</u>	<u>2,093,656</u>	<u>1,557,991</u>	<u>1,282,843</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

Prentiss County School District

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

Superintendent and School Board
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2008, which collectively comprise Prentiss County School District's basic financial statements and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated May 30, 2009, which is included in this report.

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

Brauner, Vanday + Co P.A

September 29, 2009
Booneville, Mississippi



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

Superintendent and School Board
Prentiss County School District

Compliance

We have audited the compliance of the Prentiss County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Prentiss County 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 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.

As described in Finding 2008-1 in the accompanying Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding Cash Management that are applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the school district to comply with the requirements applicable to that program.

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

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-1 to be a material weakness.

Prentiss County School District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit Prentiss 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, management and others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Braun Vanstey & Co. P.A.

September 29, 2009
Booneville, Mississippi



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

Superintendent and School Board
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2008, which collectively comprise Prentiss County School District's basic financial statements, and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(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 an audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$5,772 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding.

Two retired employees who were rehired by the district, were paid \$788 more than allowed by law as noted on Form 4-B.

Recommendation.

We recommend that salaries paid to retirees be all inclusive and not exceed that which is allowed by law as noted on Form 4-B.

Response.

Retired employees' salaries will be monitored more closely to not exceed that which is allowed by law as noted on form 4B.

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

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

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

Braun, Vandenberg & Co., P.A.

September 29, 2009
Booneville, Mississippi

**PRETISS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|---|
| 4. | Type of auditors' report issued on compliance for major federal programs:
Title I Grants to Local Educational Agencies
Special Education Cluster
Twenty-First Century Community Learning Centers | Unqualified
Qualified
Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Significant deficiency identified that are not considered to be material weaknesses? | None reported |
| 6. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs:
Title I Grants to Local Educational Agencies
CFDA# 84.010

Special Education Cluster
CFDA# 84.027
84.173

Twenty-First Century Community Learning Centers
CFDA# 84.287 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

**PRETISS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

**SPECIAL EDUCATION CLUSTER CFDA #'S 84.027 AND 84.173
COMPLIANCE AND INTERNAL CONTROL SIGNIFICANT DEFICIENCY AND MATERIAL
WEAKNESS ON CASH MANAGEMENT**

Finding 2008-1

The district maintained significant cash balances throughout the year in the Special Education fund.

Condition:

The district requested more funds than were necessary to meet the immediate needs of the program.

Criteria:

The district is required to minimize the time between the transfer of funds and the pay out of the funds for program purposes

Cause:

The district failed to examine expenditures prior to requesting funds for reimbursement.

Effect:

By not examining the amounts expended, the district will not know how much money to request, therefore, requesting more than is needed and having too much money on hand.

Prentiss County School District
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Matt Smith, Superintendent

Corrective Action Plan

As required by U. S. Office of Management and Budget A-133, Prentiss 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:

- A. Contact Person: Sandy Johnson
Business Manager
Prentiss County School District
P O Box 599
Booneville, MS 38829
- B. A meeting was held with the Superintendent of Education, Special Education Administrator and secretary to inform them that funds must be requested only after the expenditures have been completed through the accounting procedures.
- C. Additional guidance and procedures were implemented after the District was notified of the problem.

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Matt Smith, Superintendent

Prior Audit Findings:

As required by Section __.315(c) of OMB Circular A-133, the Prentiss County School District has prepared and hereby submits the following status of findings as of June 30, 2008:

FINDING:	STATUS
2007-1	Corrected

