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**PEARL RIVER COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**

# PEARL RIVER COUNTY SCHOOL DISTRICT

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American Institute of  
Certified Public Accountants

# King CPA, PLLC

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

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

March 23, 2009

Superintendent and School Board  
Pearl River County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2008, which collectively comprise the Pearl River County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pearl River 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 Pearl River County School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of the Pearl River 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 6 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 40 and 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl River 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 supplementary 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 Balance, All Governmental Funds, Last Four Years, is presented for the purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*King CPA, PLLC*

**KING CPA, PLLC**

Petal, Mississippi

March 23, 2009

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

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

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

**FINANCIAL HIGHLIGHTS**

- Total net assets, including the effect of prior period adjustments, increased \$514,989 which represents a 3% increase from fiscal year 2007.
- General revenues account for \$20,502,716 in revenue, or 85% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,675,413 or 15% of total revenues.
- The District had \$23,662,040 in expenses; only \$3,675,413 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$20,502,716 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,866,153 in revenues and \$19,172,383 in expenditures. After net other financing uses of \$(1,295,150) and prior period adjustments of \$(780), the General Fund's fund balance decreased \$602,160 from the prior year. This decrease was due primarily to an increase in salary related expenditures and capital improvements.
- Capital assets, net of accumulated depreciation, increased by \$591,968.
- Long-term debt decreased by \$680,317.

**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, a statement of revenues, expenditures, and changes in fund balance – last four years is included for the general fund and all governmental funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$17,705,983 as of June 30, 2008.

Of the District's net assets, \$7,315,066 or 41% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment 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.

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

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

The following table presents a summary of the District's net assets as of June 30, 2008 and 2007, respectively.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Current assets	\$ 10,756,769	\$ 11,974,488	(10.16)%
Other assets	1,131,470	1,013,799	11.61%
Capital assets, net	<u>14,950,066</u>	<u>14,358,098</u>	4.12%
Total assets	<u>26,838,305</u>	<u>27,346,385</u>	(1.85)%
Current liabilities	1,422,271	1,764,683	(19.40)%
Other liabilities	3,737	4,077	(8.34)%
Long-term debt outstanding	<u>7,706,314</u>	<u>8,386,631</u>	(8.11)%
Total liabilities	<u>9,132,322</u>	<u>10,155,391</u>	(10.07)%
Net assets:			
Invested in capital assets, net of related debt	7,315,066	6,035,098	21.21%
Restricted	2,570,210	2,725,346	(5.69)%
Unrestricted	<u>7,820,707</u>	<u>8,430,550</u>	(7.23)%
Total net assets	<u>\$ 17,705,983</u>	<u>17,190,994</u>	3.00%

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents and other receivables, net.
- Other assets increased from the previous fiscal year due primarily to the increase in cash and cash equivalents and investments in the Sixteenth Section Principal Fund and the MAEP Retirement Fund. These funds are legally restricted and may not be used for purposes that support the District's programs. Therefore, these amounts are reported as other (restricted) assets in the government-wide financial statements.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the purchase of capital assets and the decrease in long-term debt related to those capital assets.

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

- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in fund balance of the General Fund.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$24,178,129. The total cost of all programs and services was \$23,662,040. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and 2007, respectively.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 1,033,110	\$ 1,474,802	(29.95)%
Operating grants and contributions	2,642,303	3,289,825	(19.68)%
General revenues:			
Property taxes	4,521,685	4,267,988	5.94%
Grants and contributions not restricted	15,455,789	12,922,079	19.61%
Other	<u>525,242</u>	<u>850,962</u>	(38.28)%
Total revenues	<u>24,178,129</u>	<u>22,805,656</u>	6.02%
Expenses:			
Instruction	14,253,921	12,847,134	10.95%
Support services	7,742,162	6,754,102	14.63%
Non-instructional	1,369,524	1,282,574	6.78%
Sixteenth section	13,630	15,308	(10.96)%
Interest and other expense on long-term liabilities	<u>282,803</u>	<u>338,789</u>	(16.53)%
Total expenses	<u>23,662,040</u>	<u>21,237,907</u>	11.41%
Increase (Decrease) in net assets	516,089	1,567,749	(67.08)%
Net Assets, July 1	17,190,994	15,614,606	10.10%
Prior Period Adjustments	<u>(1,100)</u>	<u>8,639</u>	(112.73)%
Net Assets, June 30	<u>\$ 17,705,983</u>	<u>\$ 17,190,994</u>	3.00%

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

- Program revenues: operating grants and contributions decreased from the previous fiscal year due primarily to a decrease in federal funding, specifically the Hurricane Education Recovery grants and disaster assistance grants.
- General revenues: grants and contributions not restricted increased from the previous fiscal year due primarily to an increase in adequate education funding.
- General revenues: other decreased from the previous fiscal year due primarily to a decrease in insurance loss recoveries.

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

- Instruction and support services expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits.

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

	<u>2008</u>		<u>2007</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$14,253,921	\$ (12,349,554)	\$12,847,134	\$(10,014,707)
Support services	7,742,162	(7,155,336)	6,754,102	(6,044,446)
Non-instructional	1,369,524	(188,032)	1,282,574	(60,030)
Sixteenth section	13,630	(10,902)	15,308	(15,308)
Interest and other expenses on long-term liabilities	<u>282,803</u>	<u>(282,803)</u>	<u>338,789</u>	<u>(338,789)</u>
Total expenses	<u>\$ 23,662,040</u>	<u>\$ (19,986,627)</u>	<u>\$ 21,237,907</u>	<u>\$ (16,473,280)</u>

- Net cost of governmental activities in the amount of \$19,986,627, was financed by general revenue, which is made up of primarily property taxes \$4,521,685 and state revenue \$15,301,219.
- Investment earnings accounted for \$446,108 of funding.

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$10,332,323. The net change in fund balance for the fiscal year was a decrease of \$743,121 due primarily to an increase in salary related expenditures and capital improvements. \$5,397,081 or 52% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$4,935,242 or 48% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$602,160, a result of an increase in salary related expenditures and capital improvements. The fund balance of Other Governmental Funds showed a decrease of \$140,961 due primarily to an increase in capital improvement expenditures.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. The budget revisions made during the fiscal year were considered routine and were not significant when compared to overall revenues and expenditures.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District's total capital assets were \$20,405,835, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,139,466 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$5,455,769 and total depreciation expense for the year was \$617,494, resulting in total net assets of \$14,950,066.

	<u>Capital Assets, Net of Depreciation</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 359,361	\$ 359,361	-
Construction in progress	345,337	229,437	50.51%
Buildings	10,698,403	10,429,259	2.58%
Building improvements	1,659,623	1,746,596	(4.98)%
Improvements other than buildings	540,739	572,936	(5.62)%
Mobile equipment	1,001,564	858,901	16.61%
Furniture and equipment	<u>345,039</u>	<u>161,608</u>	113.50%
Total	<u>\$14,950,066</u>	<u>\$ 14,358,098</u>	4.12%

**Debt Administration.** At June 30, 2008, the District had \$7,706,314 in general obligation bonds and other long-term debt outstanding, of which \$697,131 is due within one year.

	<u>Outstanding Debt</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
General obligation bonds payable	\$ 3,320,000	\$ 3,610,000	(8.03)%
Limited obligation bonds payable	2,165,000	2,345,000	(7.68)%
Three mill notes payable	1,150,000	1,368,000	(15.94)%
Qualified zone academy bonds	1,000,000	1,000,000	-
Compensated absences payable	<u>71,314</u>	<u>63,631</u>	12.07%
Total	<u>\$ 7,706,314</u>	<u>\$ 8,386,631</u>	(8.11)%

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

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The millage did not change significantly from the previous fiscal year. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has increased. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Pearl River School District, 7441 Highway 11, Carriere, MS 39426.

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2008

Exhibit A

	<u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 9,284,048
Investments	200,000
Due from other governments	811,844
Accrued interest receivable	9,141
Other receivables, net	145,278
Inventories & prepaid items	80,449
Deferred charges	226,009
Restricted assets	1,131,470
Capital assets, not being depreciated:	
Land	359,361
Construction in progress	345,337
Capital assets, net of accumulated depreciation:	
Buildings	10,698,403
Building improvements	1,659,623
Improvements other than buildings	540,739
Mobile equipment	1,001,564
Furniture and equipment	345,039
<b>Total Assets</b>	<u>26,838,305</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,324,907
Unearned Revenue	5,000
Interest payable on long-term liabilities	92,364
Long-term liabilities, due within one year	
Capital related liabilities	690,000
Non-capital related liabilities	7,131
Long-term liabilities, due beyond one year	
Capital related liabilities	6,945,000
Non-capital related liabilities	64,183
Other liabilities	
Deferred revenue - bond premium	3,737
<b>Total Liabilities</b>	<u>9,132,322</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	7,315,066
Restricted net assets:	
Expendable:	
School - based activities	648,015
Debt service	1,245,744
Capital improvements	213,513
Forestry improvements	73,741
Unemployment benefits	46,716
Non-expendable:	
Sixteenth section	342,481
Unrestricted	7,820,707
<b>Total Net Assets</b>	<u>\$ 17,705,983</u>

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

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

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction	\$ 14,253,921	\$ 591,466	\$ 1,312,901	\$ -	\$ (12,349,554)
Support services	7,742,162	-	586,826	-	(7,155,336)
Non-instructional	1,369,524	438,916	742,576	-	(188,032)
Sixteenth section	13,630	2,728	-	-	(10,902)
Interest and other expenses on long-term liabilities	282,803	-	-	-	(282,803)
Total Governmental Activities	<u>\$ 23,662,040</u>	<u>\$ 1,033,110</u>	<u>\$ 2,642,303</u>	<u>\$ -</u>	<u>(19,986,627)</u>
General Revenues:					
Taxes:					
General purpose levies					
					4,521,685
Debt purpose levies					
					-
Unrestricted grants and contributions:					
State					
					15,301,219
Federal					
					154,570
Unrestricted investment earnings					
					446,108
Sixteenth section sources					
					79,065
Other					
					69
Total General Revenues					
					<u>20,502,716</u>
Change in Net Assets					
					<u>516,089</u>
Net Assets - Beginning					
					17,190,994
Prior Period Adjustments					
					<u>(1,100)</u>
Net Assets - Beginning - Restated					
					<u>17,189,894</u>
Net Assets - Ending					
					<u>\$ 17,705,983</u>

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

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

Exhibit C

	Major Fund General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,256,297	\$ 1,370,232	\$ 9,626,529
Cash with fiscal agents	-	162,685	162,685
Investments	-	826,304	826,304
Due from other governments	356,584	455,260	811,844
Accrued interest receivable	-	9,141	9,141
Due from other funds	355,009	23,347	378,356
Advance to other funds	62,507	-	62,507
Inventories and prepaid items	27,493	52,956	80,449
	<u>9,057,890</u>	<u>2,899,925</u>	<u>11,957,815</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	1,116,313	160,628	1,276,941
Due to other funds	44,556	236,488	281,044
Advances from other funds	-	62,507	62,507
Unearned Revenue	5,000	-	5,000
	<u>1,165,869</u>	<u>459,623</u>	<u>1,625,492</u>
<b>Fund Balances:</b>			
<b>Reserved for:</b>			
Advances	62,507	-	62,507
Inventory	-	52,955	52,955
Prepaid items	27,493	-	27,493
Capital projects	-	213,513	213,513
Debt service	-	1,115,836	1,115,836
Unemployment benefits	-	46,716	46,716
Forestry improvements purposes	-	73,741	73,741
Permanent fund purposes	-	342,481	342,481
<b>Unreserved:</b>			
<b>Designated for:</b>			
Capital Improvements	3,000,000	-	3,000,000
<b>Undesignated, reported in:</b>			
General fund	4,802,021	-	4,802,021
Special Revenue funds	-	595,060	595,060
	<u>7,892,021</u>	<u>2,440,302</u>	<u>10,332,323</u>
<b>Total Fund Balances</b>	<u>7,892,021</u>	<u>2,440,302</u>	<u>10,332,323</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,057,890</u>	<u>\$ 2,899,925</u>	<u>\$ 11,957,815</u>

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,332,323
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,455,769.	14,950,066
2. Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	226,009
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,706,314)
4. Remaining amortization on refunding bond premium is not due and payable in the current period and, therefore, is not reported in the funds.	(3,737)
5. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(92,364)</u>
Total Net Assets - Governmental Activities	<u>\$ 17,705,983</u>

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

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

Exhibit D

	Major Fund <u>General</u> Fund	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Local sources	\$ 4,603,301	\$ 1,379,986	\$ 5,983,287
State sources	15,122,582	612,481	15,735,063
Federal sources	140,270	2,222,830	2,363,100
Sixteenth section sources	-	96,679	96,679
Total Revenues	<u>19,866,153</u>	<u>4,311,976</u>	<u>24,178,129</u>
Expenditures:			
Instruction	12,204,496	1,713,723	13,918,219
Support services	6,511,390	1,547,413	8,058,803
Noninstructional services	17,603	1,281,239	1,298,842
Sixteenth section	-	13,630	13,630
Facilities acquisition and construction	438,894	223,186	662,080
Debt service:			
Principal	-	688,000	688,000
Interest	-	266,128	266,128
Other	-	3,150	3,150
Total Expenditures	<u>19,172,383</u>	<u>5,736,469</u>	<u>24,908,852</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>693,770</u>	<u>(1,424,493)</u>	<u>(730,723)</u>
Other Financing Sources (Uses):			
Operating transfers in	8,344	1,311,475	1,319,819
Payments held by escrow agents	-	63,575	63,575
Operating transfers out	(1,303,494)	(16,325)	(1,319,819)
Payment to QZAB debt escrow agent	-	(62,925)	(62,925)
Total Other Financing Sources (Uses)	<u>(1,295,150)</u>	<u>1,295,800</u>	<u>650</u>
Net Change in Fund Balances	(601,380)	(128,693)	(730,073)
Fund Balances:			
July 1, 2007	8,494,181	2,581,263	11,075,444
Prior period adjustments	(780)	(320)	(1,100)
July 1, 2007, as restated	8,493,401	2,580,943	11,074,344
Decrease in reserve for inventory	-	(11,948)	(11,948)
June 30, 2008	<u>\$ 7,892,021</u>	<u>\$ 2,440,302</u>	<u>\$ 10,332,323</u>

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

PEARL RIVER 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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (730,073)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$1,215,550 and the depreciation expense amounted to \$617,494.	598,056
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	688,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes dues.	7,230
4. In the Statement of Activities, revenue is recorded when earned, whereas in governmental funds, revenue is recorded when measurable and available to pay current liabilities at the end of the period. Revenue that is measurable but not available is deferred in governmental funds.	340
5. 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.	(6,088)
6. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(11,948)
7. Issuance cost of long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the Statement of Activities.	(21,745)
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(7,683)</u>
Change in Net Assets of Governmental Activities	<u>\$ 516,089</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2008

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,245	\$ 129,731
Other receivables	-	442
Due from other funds	-	<u>47,966</u>
Total Assets	<u>5,245</u>	<u>178,139</u>
Liabilities		
Accounts payable and accrued liabilities	-	6,045
Due to other funds	-	145,278
Due to student clubs	-	<u>26,816</u>
Total Liabilities	<u>-</u>	<u>\$ 178,139</u>
Net Assets		
Held in trust	<u>5,245</u>	
Total Net Assets	<u>\$ 5,245</u>	

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
June 30, 2008

Exhibit F

	Private-Purpose <u>Trust Funds</u>
Additions	
Interest on investments	\$ 215
Contributions and donations from private sources	<u>3,000</u>
Total Additions	<u>3,215</u>
Deductions	
Scholarships awarded	<u>2,120</u>
Total Deductions	<u>2,120</u>
Change in Net Assets	<u>1,095</u>
Net Assets	
July 1, 2007	<u>4,150</u>
June 30, 2008	<u>\$ 5,245</u>

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided

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

by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

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

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

The District’s fiduciary funds include the following:

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

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

Club Fund – This agency fund is used to report resources held by the District on behalf of the districts various clubs.

Elementary Health Fund – This private-purpose trust fund is used to report resources held by the District on behalf of the school nurses.

Coke Scholarship Fund – This private purpose trust fund is used to report resources held by the District on behalf of Coke for scholarships.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

# PEARL RIVER COUNTY SCHOOL DISTRICT

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

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

### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an 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

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

the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, Liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash, and cash equivalents

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

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

6. Capital Assets.

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

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

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

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

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

(\*) 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.

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

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$10,615,518 (which includes \$826,304 of certificates of deposit with original maturity beyond three months and reported on Exhibit C as investments) and \$134,976, respectively. The bank balance was \$10,809,162.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$10,809,162 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$162,685 reported in Restricted Assets. See Note 4 for details.

Investments.

As of June 30, 2008, the district had the following investments of which \$200,000 reported as Investments and \$626,304 reported as Restricted Assets. See Note 4 for details:

Investment Type	Maturities	Fair Value	Rating
Certificates of Deposit	1 to 5 years	\$200,000	N/A
Federal Home Loan Mtg Corp	less than 1	<u>626,304</u>	AAA
		<u>\$826,304</u>	

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, the district did not have any investments to which this would apply.

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

PEARL RIVER COUNTY SCHOOL DISTRICT

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

Issuer	Fair Value	% of Total Investments
Hancock Bank - Fund 2842	\$ 200,000	24%
Fed Home Loan MTG Corp - Fund 4032	<u>626,304</u>	76%
	<u>\$ 826,304</u>	

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 233,078
	Fiduciary Funds	121,931
Other Governmental Funds	Fiduciary Funds	23,347
Fiduciary Funds	General Fund	44,556
	Other Governmental Funds	<u>3,410</u>
		<u>\$ 426,322</u>

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

B. Advances To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ <u>62,507</u>
		<u>\$ 62,507</u>

The primary purpose of the advance is to provide cash flow needs for debt payments until tax revenues are received.

C. Interfund Transfers.

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 1,303,494
Other Governmental Funds	General Fund	8,344
	Other Governmental Funds	<u>7,981</u>
		<u>\$ 1,319,819</u>

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

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

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling \$342,481, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent cash with fiscal agent of \$1,236 for the QZAB Bond Retirement Fund and \$161,449 for the MAEP Limited Obligation Bond Fund. In addition the restricted assets represent the investment balance totaling \$626,304 of the QZAB Bond Retirement Fund.

(5) Capital Assets.

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

	Balance <u>7/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/2008</u>
Non-depreciable capital assets:				
Land	\$ 359,361	\$ -	\$ -	\$ 359,361
Construction in progress	<u>229,437</u>	<u>115,900</u>	<u>-</u>	<u>345,337</u>
Total non-depreciable capital assets	<u>588,798</u>	<u>115,900</u>	<u>-</u>	<u>704,698</u>
Depreciable capital assets:				
Buildings	13,011,077	526,331	-	13,537,408
Building improvements	2,213,523	-	-	2,213,523
Improvements other than buildings	804,921	-	-	804,921
Mobile equipment	2,001,796	295,800	23,696	2,273,900
Furniture and equipment	<u>646,254</u>	<u>277,519</u>	<u>52,388</u>	<u>871,385</u>
Total depreciable capital assets	<u>18,677,571</u>	<u>1,099,650</u>	<u>76,084</u>	<u>19,701,137</u>
Less accumulated depreciation:				
Buildings	2,581,818	257,187	-	2,839,005
Building improvements	466,927	86,973	-	553,900
Improvements other than buildings	231,985	32,197	-	264,182
Mobile equipment	1,142,895	150,767	21,326	1,272,336
Furniture and equipment	<u>484,646</u>	<u>90,370</u>	<u>48,670</u>	<u>526,346</u>
Total accumulated depreciation	<u>4,908,271</u>	<u>617,494</u>	<u>69,996</u>	<u>5,455,769</u>
Total depreciable capital assets, net	<u>13,769,300</u>	<u>482,156</u>	<u>6,088</u>	<u>14,245,368</u>
Governmental activities capital assets, net	<u>\$ 14,358,098</u>	<u>\$ 598,056</u>	<u>\$ 6,088</u>	<u>\$ 14,950,066</u>

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 331,228
Support Services	228,564
Non - Instructional	<u>57,702</u>
Total depreciation expense	<u>\$ 617,494</u>

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

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

	Remaining Commitment	Required future Financing
Field House	<u>\$ 487,319</u>	<u>\$ -</u>

(6) Long-term liabilities.

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts Due within one year
A. General obligation bonds payable	\$ 3,610,000	\$ -	\$ 290,000	\$ 3,320,000	\$ 300,000
B. Limited obligation bonds payable	2,345,000	-	180,000	\$ 2,165,000	190,000
C. Three mill notes payable	1,368,000	-	218,000	\$ 1,150,000	200,000
D. Qualified zone academy bonds	1,000,000	-	-	\$ 1,000,000	-
E. Compensated absences payable	<u>63,631</u>	<u>7,683</u>	<u>-</u>	<u>71,314</u>	<u>7,131</u>
Total	<u>\$ 8,386,631</u>	<u>\$ 7,683</u>	<u>\$ 688,000</u>	<u>\$ 7,706,314</u>	<u>\$ 697,131</u>

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2003	2.0-3.85%	8/19/2003	8/15/2018	<u>\$ 4,475,000</u>	<u>\$ 3,320,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 300,000	\$ 111,902	\$ 411,902
2010	305,000	103,652	408,652
2011	305,000	94,503	399,503
2012	310,000	85,353	395,353
2013	320,000	75,278	395,278
2014-2018	<u>1,780,000</u>	<u>201,208</u>	<u>1,981,208</u>
Total	<u>\$ 3,320,000</u>	<u>\$ 671,896</u>	<u>\$ 3,991,896</u>

This debt will be retired from the 2003 Bond Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as

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

set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2007.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series, 1998	4.25-6.0%	5/1/1998	4/1/2018	\$ 3,450,000	\$ 2,165,000

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 190,000	\$ 94,035	\$ 284,035
2010	200,000	85,550	285,550
2011	210,000	76,425	286,425
2012	215,000	66,755	281,755
2013	230,000	56,405	286,405
2014-2018	<u>1,120,000</u>	<u>113,025</u>	<u>1,233,025</u>
Total	<u>\$ 2,165,000</u>	<u>\$ 492,195</u>	<u>\$ 2,657,195</u>

This debt will be retired from the 1998 Bond Retirement Fund.

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

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2004	1.4-4.05%	5/1/2004	4/1/2017	\$ 2,000,000	\$ 1,150,000

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

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

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 200,000	\$ 39,158	\$ 239,158
2010	122,000	33,858	155,858
2011	125,000	30,321	155,321
2012	110,000	26,383	136,383
2013	111,000	22,698	133,698
2014-2018	<u>482,000</u>	<u>48,243</u>	<u>530,243</u>
Total	<u>\$ 1,150,000</u>	<u>\$ 200,661</u>	<u>\$ 1,350,661</u>

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

D. Qualified zone academy bonds payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax note, certificates of participation Series 2004	4.65%	1/15/2005	11/14/2014	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

F. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$1,439,605, \$1,236,931 and \$1,088,822, respectively, which equaled the required contributions for each year.

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

(8) Sixteenth Section Lands.

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

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 64,337
2010	54,350
2011	54,350
2012	53,992
2013	52,830
2014-2018	252,885
2019-2023	237,530
2024-2028	225,280
2029-2033	201,147
Thereafter	<u>201,164</u>
<b>Total</b>	<b><u>\$ 1,397,865</u></b>

(9) Prior Period Adjustments/Exhibits.

A summary of fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct a prior year error in recording an asset or liability	<u>\$(1,100)</u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Funds	To correct a prior year error in recording an asset or liability.	\$ (780)
Other Governmental Funds		<u>(320)</u>
		<u>\$(1,100)</u>

(10) 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.

PEARL RIVER COUNTY SCHOOL DISTRICT

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

(11) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with various individuals and other entities, has entered into such an arrangement dated November 18, 2004.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before November 5 of each year through 2009. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the future yearly deposits to be made to the sinking fund by the school district.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2009	62,925
2010	<u>62,925</u>
Total	<u>\$ 125,850</u>

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,547,838	\$ 4,861,005	\$ 4,603,301	\$ 313,167	\$ (257,704)
State sources	14,738,302	15,122,582	15,122,582	384,280	-
Federal sources	103,493	140,270	140,270	36,777	-
Total Revenues	<u>19,389,633</u>	<u>20,123,857</u>	<u>19,866,153</u>	<u>734,224</u>	<u>(257,704)</u>
Expenditures:					
Instruction	12,878,117	12,326,796	12,204,496	551,321	122,300
Support services	7,037,088	6,657,935	6,511,390	379,153	146,545
Noninstructional services	19,000	17,760	17,603	1,240	157
Facilities acquisition and construction	471,000	525,958	438,894	(54,958)	87,064
Total Expenditures	<u>20,405,205</u>	<u>19,528,449</u>	<u>19,172,383</u>	<u>876,756</u>	<u>356,066</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,015,572)</u>	<u>595,408</u>	<u>693,770</u>	<u>1,610,980</u>	<u>98,362</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	430,000	-	-	(430,000)	-
Operating transfers in	1,989,620	1,923,782	8,344	(65,838)	(1,915,438)
Operating transfers out	(3,188,643)	(3,219,072)	(1,303,494)	(30,429)	1,915,578
Total Other Financing Sources (Uses)	<u>(769,023)</u>	<u>(1,295,290)</u>	<u>(1,295,150)</u>	<u>(526,267)</u>	<u>140</u>
Net Change in Fund Balances	<u>(1,784,595)</u>	<u>(699,882)</u>	<u>(601,380)</u>	<u>1,084,713</u>	<u>98,502</u>
Fund Balances:					
July 1, 2007	7,376,049	7,366,049	8,494,181	(10,000)	1,128,132
Prior period adjustments	-	-	(780)	-	(780)
July 1, 2007, as restated	<u>7,376,049</u>	<u>7,366,049</u>	<u>8,493,401</u>	<u>(10,000)</u>	<u>1,127,352</u>
June 30, 2008	<u>\$ 5,591,454</u>	<u>\$ 6,666,167</u>	<u>\$ 7,892,021</u>	<u>\$ 1,074,713</u>	<u>\$ 1,225,854</u>

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

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revision

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

PEARL RIVER SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Fed. Domestic Assistance <u>Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	171,596
National school lunch program	10.555	732,108
Summer food service program for children	10.559	6,686
Total child nutrition cluster		<u>910,390</u>
Total U.S. Department of Agriculture		<u>910,390</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	45,877
Total U.S. Department of Defense		<u>45,877</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the universal service fund	32.xxx	22,609
Total Federal Communications Commission		<u>22,609</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	592,446
Career and Technical Education - basic grants to states	84.048	31,944
Safe and drug-free schools and communities - national programs	84.184	8,032
Safe and drug-free schools and communities - state grants	84.186	23,242
State grants for innovative programs	84.298	5,153
Education technology state grants	84.318	6,337
Rural education	84.358	61,102
Improving teacher quality state grants	84.367	159,074
Grants for state assessments and related activities	84.369	99
Total		<u>887,429</u>
Special education cluster:		
Special education - grants to states	84.027	506,782
Special education - preschool grants	84.173	22,471
Total special education cluster		<u>529,253</u>
Total passed-through Mississippi Department of Education		<u>1,416,682</u>
Total U.S. Department of Education		<u>1,416,682</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	77,155
Total U.S. Department of Health and Human Services		<u>77,155</u>
Total for All Federal Awards		<u>\$ 2,472,713</u>

Notes to schedule

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,602,641	\$ 13,457,616	\$ 649,263	\$ 1,070,549	\$ 1,425,213
Other	8,306,211	2,252,380	258,028	102,019	5,693,784
Total	<u>\$ 24,908,852</u>	<u>\$ 15,709,996</u>	<u>\$ 907,291</u>	<u>\$ 1,172,568</u>	<u>\$ 7,118,997</u>
Total number of students *	<u>2,829</u>				
Cost per student	<u>\$ 8,804</u>	<u>\$ 5,553</u>	<u>\$ 321</u>	<u>\$ 414</u>	<u>\$ 2,516</u>

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

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

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

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

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

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

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**OTHER SUPPLEMENTAL INFORMATION**

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

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 4,603,301	4,422,049	4,524,251	3,797,598
State sources	15,122,582	12,571,235	11,394,497	10,266,338
Federal sources	140,270	112,244	53,086	88,993
<b>Total Revenues</b>	<u>19,866,153</u>	<u>17,105,528</u>	<u>15,971,834</u>	<u>14,152,929</u>
<b>Expenditures:</b>				
Instruction	12,204,496	10,333,175	6,984,968	8,791,864
Support services	6,511,390	5,366,367	4,595,757	4,429,162
Noninstructional services	17,603	42,709	18,776	33,546
Facilities acquisition and construction	438,894	229,437	-	84,921
Debt service:				
Principal	-	-	-	430,000
Interest	-	-	-	443
<b>Total Expenditures</b>	<u>19,172,383</u>	<u>15,971,688</u>	<u>11,599,501</u>	<u>13,769,936</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>693,770</u>	<u>1,133,840</u>	<u>4,372,333</u>	<u>382,993</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	-	-	115,000
Insurance loss recoveries	-	460,147	772,548	9,591
Sale of transportation equipment	-	-	4,330	-
Operating transfers in	8,344	9,258	322,940	849,711
Operating transfers out	(1,303,494)	(1,025,870)	(630,731)	(1,495,108)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,295,150)</u>	<u>(556,465)</u>	<u>469,087</u>	<u>(520,806)</u>
<b>Net Change in Fund Balances</b>	<u>(601,380)</u>	<u>577,375</u>	<u>4,841,420</u>	<u>(137,813)</u>
<b>Fund Balances:</b>				
July 1,	8,494,181	7,915,617	2,818,502	2,956,315
Prior period adjustments	(780)	-	255,695	-
July 1, as restated	<u>8,493,401</u>	<u>7,915,617</u>	<u>3,074,197</u>	<u>2,956,315</u>
Residual equity transfer in (out)	-	1,189	-	-
June 30,	<u>\$ 7,892,021</u>	<u>8,494,181</u>	<u>7,915,617</u>	<u>2,818,502</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 5,983,287	6,059,922	5,706,722	4,918,049
State sources	15,735,063	13,132,305	11,959,805	10,801,988
Federal sources	2,363,100	3,079,599	6,466,454	2,278,557
Sixteenth section sources	96,679	73,683	74,838	102,813
<b>Total Revenues</b>	<b>24,178,129</b>	<b>22,345,509</b>	<b>24,207,819</b>	<b>18,101,407</b>
<b>Expenditures:</b>				
Instruction	13,918,219	12,593,968	11,546,654	10,249,012
Support services	8,058,803	6,819,036	6,058,980	4,976,461
Noninstructional services	1,298,842	1,256,162	1,108,186	1,096,761
Sixteenth section	13,630	15,308	14,593	18,274
Facilities acquisition and construction	662,080	278,365	871,221	2,334,335
Debt service:				
Principal	688,000	670,000	651,000	1,151,000
Interest	266,128	283,734	300,878	341,056
Other	3,150	3,150	3,791	30,672
<b>Total Expenditures</b>	<b>24,908,852</b>	<b>21,919,723</b>	<b>20,555,303</b>	<b>20,197,571</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(730,723)</b>	<b>425,786</b>	<b>3,652,516</b>	<b>(2,096,164)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds	-	-	-	1,000,000
Proceeds of loans	-	-	-	115,000
Insurance loss recoveries	-	460,147	772,548	9,591
Sale of transportation equipment	-	-	4,330	-
Operating transfers in	1,319,819	1,048,595	953,671	1,622,019
Payments held by escrow agents	63,575	63,575	63,575	-
Operating transfers out	(1,319,819)	(1,048,595)	(953,671)	(1,622,019)
Payment to QZAB debt escrow agent	(62,925)	(62,925)	(62,925)	-
Other financing uses	-	(1,780)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>650</b>	<b>459,017</b>	<b>777,528</b>	<b>1,124,591</b>
<b>Net Change in Fund Balances</b>	<b>(730,073)</b>	<b>884,803</b>	<b>4,430,044</b>	<b>(971,573)</b>
<b>Fund Balances:</b>				
July 1,	11,075,444	10,173,944	5,431,058	6,403,751
Prior period adjustments	(1,100)	-	290,229	(4,100)
July 1, as restated	11,074,344	10,173,944	5,721,287	6,399,651
Increase (Decrease) in reserve for inventory	(11,948)	16,697	22,613	2,980
June 30,	\$ 10,332,323	11,075,444	10,173,944	5,431,058

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

American Institute of  
Certified Public Accountants

# King CPA, PLLC

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

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

Superintendent and School Board  
Pearl River County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2008, which collectively comprise the Pearl River County School District's basic financial statements and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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 March 23, 2009, which is included in this report.

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

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
March 23, 2009

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

American Institute of  
Certified Public Accountants

# King CPA, PLLC

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

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

Superintendent and School Board  
Pearl River County School District

Compliance

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

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

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

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

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

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

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

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
March 23, 2009

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

American Institute of  
Certified Public Accountants

# King CPA, PLLC

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

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

Superintendent and School Board  
Pearl River County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2008, which collectively comprise Pearl River County School District's basic financial statements and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,657 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 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

Page 2

of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding SL-1 Unemployment Compensation Fund

The district's Unemployment Compensation Fund was under-funded by \$1,773. Section 71-5-359, Miss Code Ann. (1972), requires districts to maintain a balance in cash and investments of 2% of the covered payroll up to \$6,000 per person.

Recommendation:

We recommend the district comply with Section 71-5-359, Miss Code Ann. (1972).

School District Response:

The Pearl River County School District has implemented procedures to ensure that the Unemployment Compensation Fund is properly funded. The district does an Unemployment Compensation test once w-2s are completed in January and the fund is replenished at the time if needed. The balance on the Unemployment Compensation Fund is checked again in June before the fiscal year end against the total required from the Unemployment Compensation Test conducted in January and is replenished again if needed.

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

The Pearl River 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.

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
March 23, 2009

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

**Financial Statements:**

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

**Federal Awards:**

- |  |                      |
|--|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs:                 | <u>UNQUALIFIED</u>   |
| 5. Internal control over major programs:   |                      |
| a. Material weakness (es) identified?  | <u>NO</u>            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>NO</u>            |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133?     | <u>NO</u>            |
| 7. Federal programs identified as major programs:  |                      |
| Special Education Cluster  |                      |
| Special Education – Grants to States   | CFDA # <u>84.027</u> |
| Special Education – Preschool Grants   | CFDA # <u>84.173</u> |
| Title I – Grants to local education agencies   | CFDA # <u>84.010</u> |
| Child Nutrition Cluster  |                      |
| School Breakfast Program   | CFDA # <u>10.553</u> |
| National School Lunch Program  | CFDA # <u>10.555</u> |
| Summer Food Service Program for Children   | CFDA# <u>10.559</u>  |
| 8. The dollar threshold used to distinguish between Type A and Type B programs:              | <u>\$300,000</u>     |
| 9. Auditee qualified as a low-risk auditee?  | <u>YES</u>           |

10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section \_\_.315(b) of OMB Circular A-133?

NO

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

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