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PEARL PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

PEARL PUBLIC SCHOOL DISTRICT

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Member MSCPA

Superintendent and School Board
Pearl Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2011, which collectively comprise the Pearl Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pearl Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District, as of June 30, 2011, 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 November 11, 2011, on our consideration of the Pearl Public School District's internal control over financial reporting and on 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl Public School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Suzanne E. Smith

Suzanne E. Smith, CPA

November 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

PEARL PUBLIC SCHOOL DISTRICT

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The following discussion and analysis of Pearl Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased $2,905,956, including a prior period adjustment of $29,245, which represents a 12% increase from fiscal year 2010. Total net assets for 2010 increased $1,603,434, including a prior period adjustment of $89,711, which represents a 7% increase from fiscal year 2009.

- General revenues amounted to $26,097,496 and $27,035,767, or 79% and 81% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $7,097,421, or 21% of total revenues for 2011, and $6,419,438, or 19 % of total revenues for 2010.

- The District had $30,318,206 and $31,941,482 in expenses for fiscal years 2011 and 2010; only $7,097,421 for 2011 and $6,419,438 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $26,097,496 for 2011 and $27,035,767 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $24,648,712 in revenues and $22,561,927 in expenditures for 2011, and $25,154,682 in revenues and $25,135,931 in expenditures in 2010. The General Fund's fund balance decreased by $473,726, including a prior period adjustment of $445, from 2010 to 2011, and decreased by $40,194, including a prior period adjustment of $90,723, from 2009 to 2010.

- Capital assets, net of accumulated depreciation, decreased by $861,562 for 2011 and increased by $176,507 for 2010. The decrease for 2011 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.

- Long-term debt, including the liability for compensated absences, decreased by $1,267,772 for 2011 and decreased by $1,689,716 for 2010. This decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by $5,368 for 2011 and increased by $99,298 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the

District's net assets may serve as a useful indicator of whether its financial position 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 periods.

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 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 – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts.* Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $27,696,820 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 12,001,380	$ 9,884,049	21.42 %
Restricted assets	810,642	793,621	2.14 %
Capital assets, net	28,304,407	29,165,969	-2.95 %
Total assets	**41,116,429**	**39,843,639**	**3.19 %**
Current liabilities	405,191	398,719	1.62 %
Long-term debt outstanding	13,014,418	14,654,056	-11.19 %
Total liabilities	**13,419,609**	**15,052,775**	**-10.85 %**
Net assets:			
Invested in capital assets, net of related debt	15,538,793	14,751,545	5.34 %
Restricted	4,360,612	1,773,546	145.87 %
Unrestricted	7,797,415	8,265,773	-5.67 %
Total net assets	**$ 27,696,820**	**$ 24,790,864**	**11.72 %**

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

- Decrease in net capital assets in the amount of $861,562.
- The principal retirement of $1,729,382 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $33,194,917 and $33,455,205, respectively. The total cost of all programs and services was $30,318,206 for 2011 and $31,941,482 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 1,631,549	$ 1,639,590	(0.49) %
Operating grants and contributions	5,465,872	4,779,848	14.35 %
General revenues:			
Property taxes	10,886,794	10,854,847	0.29 %
Grants and contributions not restricted	14,691,217	15,681,335	(6.31) %
Investment earnings	176,677	136,420	29.51 %
Sixteenth section sources	265,249	290,088	(8.56) %
Other	77,559	73,077	6.13 %
Total revenues	**33,194,917**	**33,455,205**	**(0.78) %**
Expenses:			
Instruction	17,292,564	18,033,844	(4.11) %
Support services	9,621,746	10,395,775	(7.45) %
Non-instructional	2,993,867	2,841,989	5.34 %
Sixteenth section	-	815	(100.00) %
Interest and other expenses on long-term liabilities	410,029	669,059	(38.72) %
Total expenses	**30,318,206**	**31,941,482**	**(5.08) %**
Increase (Decrease) in net assets	**2,876,711**	**1,513,723**	**90.04 %**
Net Assets, July 1, as originally reported	**24,790,864**	**23,187,430**	6.92 %
Prior Period Adjustment	**29,245**	**89,711**	(67.40) %
Net Assets, July 1, as restated	**24,820,109**	**23,277,141**	**6.63 %**
Net Assets, June 30	**$ 27,696,820**	**$ 24,790,864**	**11.72 %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2011	2010	Change
Instruction	$ 17,292,564	$ 18,033,844	(4.11) %
Support services	9,621,746	10,395,775	(7.45) %
Non-instructional	2,993,867	2,841,989	5.34 %
Sixteenth section	-	815	(100.00) %
Interest on long-term liabilities	410,029	669,059	(38.72) %
Total expenses	**$ 30,318,206**	**$ 31,941,482**	**(5.08) %**

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (13,255,899)	$ (14,650,361)	(9.52) %
Support services	(8,642,098)	(9,281,306)	(6.89) %
Non-instructional	(912,759)	(920,503)	(0.84) %
Sixteenth section	-	(815)	(100.00) %
Interest on long-term liabilities	(410,029)	(669,059)	(38.72) %
Total net (expense) revenue	**$ (23,220,785)**	**$ (25,522,044)**	**(9.02) %**

- Net cost of governmental activities [($23,220,785) for 2011 and ($25,522,044) for 2010] was financed by general revenue, which is primarily made up of property taxes ($10,886,794 for 2011 and $10,854,847 for 2010) and state and federal revenues ($14,691,217 for 2011 and $15,681,335 for 2010). In addition, there was $265,249 and $290,088 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $176,677 for 2011 and $136,420 for 2010.

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, unassigned 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 $12,511,559, an increase of $2,063,278, which includes a prior period adjustment of $445 and an increase in inventory of $21,247. $3,588,141 or 29% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $8,923,418 or 71% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 $473,726, including a prior period adjustment of $445. The fund balance of Other Governmental Funds showed an increase in the amount of $230,584, which includes a an increase in reserve for inventory of $21,247. This increase in fund balance of Other Governmental Funds is due primarily to an increase in revenues over expenditures in the Child Nutrition fund. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I, Low Fund	no increase or decrease
Idea Part B Fund	no increase or decrease
Building Improvement Fund	$ 2,306,420

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were $43,787,691, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of $168,993 from 2010. Total accumulated depreciation as of June 30, 2011, was $15,483,284 and total depreciation expense for the year was $1,139,544, resulting in total net capital assets of $28,304,407.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 134,110	$ 134,110	0.00 %
Construction in Progress	116,750	-	N/A %
Buildings	24,548,665	25,261,129	(2.82) %
Building improvements	50,067	52,343	(4.35) %
Improvements other than buildings	514,208	549,649	(6.45) %
Mobile equipment	854,713	920,369	(7.13) %
Furniture and equipment	388,862	498,909	(22.06) %
Leased property under capital leases	1,697,032	1,749,460	(3.00) %
Total	**$ 28,304,407**	**$ 29,165,969**	**(2.95) %**

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

Debt Administration. At June 30, 2011, the District had $13,386,284 in outstanding long-term debt, of which $1,844,744 is due within one year. The liability for compensated absences decreased $5,368 from the prior year. The District issued $7,210,000 in refunding general obligation bonds, thereby defeasing $6,710,000 in general obligation bonds outstanding. The district made principal payments on long-term debt of $1,729,382.

The District maintains an Aa3 bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
General obligation bonds payable	$ 705,000	$ 8,050,000	(91.24) %
General obligation refunding bonds payable	10,410,000	3,725,000	179.46 %
Limited obligation bonds payable	540,000	705,000	(23.40) %
Obligations under capital leases	1,482,480	1,919,884	(22.78) %
Compensated absences payable	248,804	254,172	(2.11) %
Total	**$ 13,386,284**	**$ 14,654,056**	**(8.65) %**

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

CURRENT ISSUES

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

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

The District is proud of its community support of the public schools and is enjoying a steady enrollment and continued academic progress of its students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

Statement of Net Assets **Exhibit A**
June 30, 2011

		Governmental Activities
Assets		
Cash and cash equivalents	$	11,236,924
Due from other governments		702,048
Other receivables, net		13,518
Inventories		48,890
Restricted assets		810,642
Capital assets, net of accumulated depreciation:		28,304,407
Total Assets		41,116,429
Liabilities		
Accounts payable and accrued liabilities		300,079
Unearned revenue		384
Interest payable on long-term liabilities		104,728
Deferred charges on refunding debt		(362,447)
Deferred premiums on refunding debt		12,925
Deferred discounts on refunding debt		(22,344)
Long-term liabilities, due within one year:		
Capital related liabilities		1,839,768
Non-capital related liabilities		4,976
Long-term liabilities, due beyond one year:		
Capital related liabilities		11,297,712
Non-capital related liabilities		243,828
Total Liabilities		13,419,609
Net Assets		
Invested in capital assets, net of related debt		15,538,793
Restricted for:		
Expendable:		
School-based activities		1,071,644
Debt service		467,415
Capital improvements		2,306,420
Forestry improvements		42,810
Unemployment benefits		151,391
Non-expendable:		
Sixteenth section		320,932
Other		
Unrestricted		7,797,415
Total Net Assets	$	27,696,820

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

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PEARL PUBLIC SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 17,292,564	1,136,414	2,900,251		(13,255,899)
Support services	9,621,746		979,648		(8,642,098)
Non-instructional	2,993,867	495,135	1,585,973		(912,759)
Interest on long-term liabilities	410,029				(410,029)
Total Governmental Activities	$ 30,318,206	1,631,549	5,465,872	0	(23,220,785)

General Revenues:	
Taxes:	
General purpose levies	9,384,158
Debt purpose levies	1,502,636
Unrestricted grants and contributions:	
State	13,655,666
Federal	1,035,551
Unrestricted investment earnings	176,677
Sixteenth section sources	265,249
Other	77,559
Total General Revenues	26,097,496
Change in Net Assets	2,876,711
Net Assets - Beginning, as originally reported	24,790,864
Prior Period Adjustments	29,245
Net Assets - Beginning, as restated	24,820,109
Net Assets - Ending	$ 27,696,820

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

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PEARL PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet **Exhibit C**

June 30, 2011

	Major Funds					
	General Fund	Title I, Low Fund	Idea Part B Fund	Building Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 7,669,214			2,308,870	1,746,844	11,724,928
Cash with fiscal agents					222,172	222,172
Due from other governments	324,504	115,380	115,907		246,723	802,514
Other receivables, net					5,064	5,064
Due from other funds	347,826					347,826
Inventories					48,890	48,890
Total assets	8,341,544	115,380	115,907	2,308,870	2,269,693	13,151,394
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	295,325			2,450	2,304	300,079
Due to other funds		115,380	115,907		108,085	339,372
Unearned revenue					384	384
Total Liabilities	295,325	115,380	115,907	2,450	110,773	639,835
Fund Balances:						
Nonspendable:						
Inventory					48,890	48,890
Permanent fund principal					320,932	320,932
Restricted:						
Debt service					572,143	572,143
Forestry improvement purposes					42,810	42,810
Grant activities					696,711	696,711
Unemployment benefits					151,391	151,391
16th section					326,043	326,043
Committed:						
Capital improvements	1,736,082			2,306,420		4,042,502
New phone system	166,329					166,329
Assigned:						
Capital improvements	2,555,667					2,555,667
Unassigned	3,588,141					3,588,141
Total Fund Balances	8,046,219	0	0	2,306,420	2,158,920	12,511,559
Total Liabilities and Fund Balances	$ 8,341,544	115,380	115,907	2,308,870	2,269,693	13,151,394

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

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **Exhibit C-1**
June 30, 2011

Total fund balances for governmental funds		$ 12,511,559
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 134,110	
Construction in progress	116,750	
Buildings	36,267,288	
Building improvements	56,895	
Improvements other than buildings	1,149,038	
Mobile equipment	2,590,353	
Furniture and equipment	1,514,086	
Leased property under capital leases	1,959,171	
Accumulated depreciation	(15,483,284)	28,304,407
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	$ (11,115,000)	
Limited obligation bonds	(540,000)	
Capital lease obligations	(1,482,480)	
Unamortized premiums	(12,925)	
Unamortized discounts	22,344	
Unamortized deferred amount on refunding	362,447	
Compensated absences payable	(248,804)	
Accrued interest payable	(104,728)	(13,119,146)
Net assets of governmental activities		$ 27,696,820

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

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

Governmental Funds

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

For the Year Ended June 30, 2011

	Major Funds					
	General Fund	Title I, Low Fund	Idea Part B Fund	Building Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	$ 10,753,749				2,003,142	12,756,891
State sources	13,786,534				534,842	14,321,376
Federal sources	108,429	1,133,333	636,609		3,957,342	5,835,713
Sixteenth section sources					278,885	278,885
Total Revenues	24,648,712	1,133,333	636,609	0	6,774,211	33,192,865
Expenditures:						
Instruction	13,380,829	604,058	473,404		2,835,645	17,293,936
Support services	8,441,519	283,356	163,115		498,518	9,386,508
Noninstructional services	271,513	225,025	90		1,717,471	2,214,099
Facilities acquisition and construction				116,750		116,750
Debt service:						
Principal	404,382				1,325,000	1,729,382
Interest	63,684				349,923	413,607
Other					67,284	67,284
Total Expenditures	22,561,927	1,112,439	636,609	116,750	6,793,841	31,221,566
Excess (Deficiency) of Revenues over (under) Expenditures	2,086,785	20,894	0	(116,750)	(19,630)	1,971,299
Other Financing Sources (Uses):						
Refunding bonds issued					7,210,000	7,210,000
Discount on refunding bonds issued					(25,137)	(25,137)
Payment to refunded bond escrow agent					(7,117,753)	(7,117,753)
Sale of transportation equipment	1,125					1,125
Operating transfers in	270,894			2,423,170	411,857	3,105,921
Other financing sources	2,052					2,052
Operating transfers out	(2,835,027)	(20,894)			(250,000)	(3,105,921)
Total Other Financing Sources (Uses)	(2,560,956)	(20,894)	0	2,423,170	228,967	70,287
Net Change in Fund Balances	(474,171)	0	0	2,306,420	209,337	2,041,586
Fund Balances:						
July 1, 2010, as originally reported	8,519,945	0	0	0	1,928,336	10,448,281
Prior period adjustments	445					445
July 1, 2010, as restated	8,520,390	0	0	0	1,928,336	10,448,726
Increase (Decrease) in reserve for inventory					21,247	21,247
June 30, 2011	$ 8,046,219	0	0	2,306,420	2,158,920	12,511,559

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

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

Governmental Funds

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, 2011 — **Exhibit D-1**

Net change in fund balances - total governmental funds		$ 2,041,586
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 288,035	
Depreciation expense	(1,139,544)	(851,509)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(5,831)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Refunding bonds issued	$ (7,210,000)	
Refunding bond discount	25,137	
Payments of debt principal	1,729,382	
Payments to refunded bond escrow agent	6,710,000	
Payments to refunded bond escrow agent in excess of carrying value of refunded general obligation bonds	407,753	
Amortization of deferred charges, premiums and discounts	(46,484)	
Accrued interest payable	50,062	1,665,850
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	$ 5,368	
Change in inventory reserve	21,247	26,615
Change in net assets of governmental activities		$ 2,876,711

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

PEARL PUBLIC SCHOOL DISTRICT

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PEARL PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2011

		Agency Funds
Assets		
Cash and cash equivalents	$	1,534,287
Total Assets		1,534,287
Liabilities		
Accounts payable and accrued liabilities		1,472,983
Due to other funds		8,454
Due to student clubs		52,850
Total Liabilities	$	1,534,287

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

PEARL PUBLIC SCHOOL DISTRICT

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Note 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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Low Fund – This is a special revenue fund that accounts for the Title I, Low federal grant award and the revenues and expenditures of that award.

Idea Part B Fund – This is a special revenue fund that accounts for the Idea Part B federal grant award and the revenues and expenditures of that award.

Building Improvement Fund – This is a capital projects fund that accounts for the major capital project funds of the district that are funded with interfund transfers from the General Fund.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This is a clearing fund used to clear payroll transactions flowing into an imprest clearing account.

Accounts Payable Clearing Fund – This is a clearing fund used to clear accounts payable transactions flowing into an imprest clearing account.

Student Club Funds – The district has four student club funds that account for the assets and liabilities associated with student club activity.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

FIDUCIARY FUNDS

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds"

(i.e., the current portion of inter-fund loans) or "advances to/from other funds"(i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

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

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

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 a long-term liability 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 liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the official approval of the commitment spread upon the School Board's minutes.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the school district business manager pursuant to authorization established by official school Board policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 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 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess 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 deposit or 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, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (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 other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and

Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Investment income of less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $11,724,928 and $1,534,287, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of $14,156,115 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 $222,172.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Title I, Low Fund	$	115,380
	Idea Part B Fund		115,907
	Other governmental funds		108,085
	Fiduciary funds		8,454
Total		$	347,826

The amounts due to the General Fund from the Title I, the Idea Part B Fund, and Other governmental funds represent interfund loans to clear negative cash balances in a pooled checking account. Amounts due to the General Fund from Fiduciary funds represent interest income earned in the two clearing checking accounts that is due to the General Fund at June 30, 2011.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Building Improvement Fund	$	2,423,170
	Other governmental funds		411,857
Title I, Low Fund	General Fund		20,894
Other governmental funds	General Fund		250,000
Total		$	3,105,921

Transfers from the General Fund to the Building Improvement Fund were made for purposes of funding the current construction project. Transfers from the General Fund to other governmental funds were for operational purposes, while the transfer from the Title I, Low Fund was made to move indirect costs from the Title I, Low Fund to the General Fund. A transfer of $250,000 was made from the 16th Section Interest Fund to the General Fund upon formal order of the school board.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling $ 488,004, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents and receivable balance, totaling $222,172 and $100,466, respectively, of the MAEP Limited Obligation Bond/Note Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 134,110				134,110
Construction in progress		116,750			116,750
Total non-depreciable capital assets	134,110	116,750		-	250,860
Depreciable capital assets:					
Buildings	36,267,288				36,267,288
Building improvements	56,895				56,895
Improvements other than buildings	1,149,038				1,149,038
Mobile equipment	2,563,417	70,707	(43,771)		2,590,353
Furniture and equipment	1,488,779	100,578	(67,938)	(7,333)	1,514,086
Leased property under capital leases	1,959,171				1,959,171
Total depreciable capital assets	43,484,588	171,285	(111,709)	(7,333)	43,536,831
Less accumulated depreciation for:					
Buildings	11,006,159	712,464			11,718,623
Building improvements	4,552	2,276			6,828
Improvements other than buildings	599,389	35,441			634,830
Mobile equipment	1,643,048	131,986	(39,394)		1,735,640
Furniture and equipment	989,870	204,949	(66,484)	(3,111)	1,125,224
Leased property under capital leases	209,711	52,428			262,139
Total accumulated depreciation	14,452,729	1,139,544	(105,878)	(3,111)	15,483,284
Total depreciable capital assets, net	29,031,859	(968,259)	(5,831)	(4,222)	28,053,547
Governmental activities capital assets, net	$ 29,165,969	(851,509)	(5,831)	(4,222)	28,304,407

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 26,484
Support services	281,431
Non-instructional	831,629
Total depreciation expense - Governmental activities	$ 1,139,544

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

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Pearl Jr. High Gymnasium	116,750	2,291,570
Total governmental activities	$ 116,750	$ 2,291,570

Construction projects included in governmental activities are funded with local funds committed to building improvements.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Adjustments	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	$ 8,050,000		7,345,000		705,000	705,000
General obligation refunding bonds payable	3,725,000	7,210,000	525,000		10,410,000	540,000
B. Limited obligation bonds payable	705,000		165,000		540,000	175,000
C. Obligations under capital leases	1,919,884		404,382	(33,022)	1,482,480	419,768
D. Compensated absences payable	254,172		5,368		248,804	4,976
Subtotal	$ 14,654,056	7,210,000	8,444,750	(33,022)	13,386,284	1,844,744
Add: Deferred amounts for premiums	14,540		1,615		12,925	
Less: Deferred amounts for discounts	-	(25,137)	(2,793)		(22,344)	
Less: Deferred amounts on refunding	-	(407,753)	(45,306)		(362,447)	
Total	$ 14,668,596	6,777,110	8,398,266	(33,022)	13,014,418	1,844,744

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
1. G.O. Bond Series 2003	3.54-4.875%	01-Mar-03	01-Mar-12	$ 10,950,000	$ 705,000
2. Refunding Series 2010 A	2.00-3.25%	09-Jan-10	01-Mar-18	4,140,000	3,305,000
3. Refunding Series 2010 B	2.00-3.00%	16-Dec-10	01-Mar-19	7,210,000	7,105,000
Total				$ 22,300,000	$ 11,115,000

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

1. General obligation bond issue of March 1, 2003:

Year Ending June 30	Principal	Interest	Total
2012	$ 705,000	26,085	731,085
Total	$ 705,000	26,085	731,085

This debt will be retired from the Bond Retirement Fund.

2. General obligation refunding bond issue of January 9, 2010:

Year Ending June 30	Principal	Interest	Total
2012	$ 430,000	87,113	517,113
2013	440,000	78,512	518,512
2014	450,000	69,713	519,713
2015	470,000	58,462	528,462
2016	485,000	46,713	531,713
2017 – 2021	1,030,000	47,912	1,077,912
Total	$ 3,305,000	388,425	3,693,425

This debt will be retired from the Bond Retirement Fund.

3. General obligation refunding bond issue of December 16, 2010:

Year Ending June 30		Principal	Interest	Total
2012	$	110,000	173,500	283,500
2013		885,000	171,300	1,056,300
2014		940,000	153,600	1,093,600
2015		985,000	134,800	1,119,800
2016		1,020,000	115,100	1,135,100
2017 – 2021		3,165,000	182,450	3,347,450
Total	$	7,105,000	930,750	8,035,750

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2012	$	1,245,000	286,698	1,531,698
2013		1,325,000	249,812	1,574,812
2014		1,390,000	223,313	1,613,313
2015		1,455,000	193,262	1,648,262
2016		1,505,000	161,813	1,666,813
2017 – 2021		4,195,000	230,362	4,425,362
Total	$	11,115,000	1,345,260	12,460,260

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 5.50% of property assessments as of October 1, 2010.

Advance Refunding

On December 16, 2010, the district issued $7,210,000 in general obligation refunding bonds with an average interest rate of 2.50% to advance refund $6,710,000 of outstanding general obligation bonds with an average interest rate of 4.20%. The net proceeds of $7,117,753 after payments of $67,110 for issuance costs and a bond discount of $25,137 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds.

As a result, $6,710,000 of the Series 2003 general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the Series 2003 general obligation bonds to reduce its total debt service payments over the remaining ten years of the debt by approximately $200,573 and to realize an economic gain of $169,564.

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 funds	4.10-5.80%	01-Apr-98	01-Aug-13	$ 3,000,000	$ 540,000
Total				$ 3,000,000	$ 540,000

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

Limited obligation bond issue of April 1, 1998:

Year Ending June 30	Principal	Interest	Total
2012	$ 175,000	19,414	194,414
2013	185,000	11,718	196,718
2014	180,000	3,870	183,870
Total	$ 540,000	35,002	575,002

This debt will be retired from the MAEP Debt 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.

The School District has pledged a portion of future state Minimum Adequate Education Program revenues to repay $3,000,000 in limited obligation bonds payable issued April 1, 1998.I Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through August 1, 2013. Annual principal and interest payments on the bonds are expected to require approximately one (1) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is $575,002. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were $191,639 and $13,203,202, respectively.

C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of real property improvements at a cost of $1,959,171. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. Title to the improvements passes to the school district upon final payment of the lease.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2012	$ 419,768	48,298	468,066
2013	435,739	32,326	468,065
2014	452,318	15,748	468,066
2015	174,655	1,519	176,174
Total	$ 1,482,480	97,891	1,580,371

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund.

D. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% 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, 2011 was 12.00% 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, 2011, 2010 and 2009 were $2,010,259, $2,046,575 and $2,028,371, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the

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

Year Ending June 30		Amount
2012	$	245,053
2013		245,053
2014		245,053
2015		245,053
2016		245,053
2017 – 2021		1,215,485
2022 – 2026		1,200,815
2027 – 2031		1,080,815
2032 – 2036		990,555
Thereafter		1,420,612
Total	$	7,133,547

Note 10 – Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

	Explanation		Amount
1.	An error in recording a prior period asset or liability	$	445
2.	An error in recording a prior year capital asset		(4,222)
3.	An error in recording prior year long-term debt obligations		33,022
	Total	$	29,245

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

Fund	Explanation	Amount
General Fund	An error in recording a prior year asset or liability	$ 445
Total		$ 445

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

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

On September 30, 2005, Pearl Public School District was assessed an additional assessment of $11,698. The balance of the additional assessment as of June 30, 2011 was paid in full. This assessment is allowed to be repaid at a rate of 5% of their current premium per year until the total assessment is fully paid as long as they continue as members. If a member leaves the pool, they must repay the complete balance of the assessment within two years in equal installments.

REQUIRED SUPPLEMENTAL INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 10,475,234	10,764,630	10,753,749	289,396	(10,881)
State sources	13,905,734	13,786,534	13,786,534	(119,200)	0
Federal sources	83,884	108,429	108,429	24,545	0
Total Revenues	24,464,852	24,659,593	24,648,712	194,741	(10,881)
Expenditures:					
Instruction	15,673,192	13,380,829	13,380,829	2,292,363	0
Support services	8,378,627	8,441,519	8,441,519	(62,892)	0
Noninstructional services	297,874	271,513	271,513	26,361	0
Debt service:					
Principal	404,382	404,382	404,382	0	0
Interest	63,684	63,684	63,684	0	0
Total Expenditures	24,817,759	22,561,927	22,561,927	2,255,832	0
Excess (Deficiency) of Revenues over (under) Expenditures	(352,907)	2,097,666	2,086,785	2,450,573	(10,881)
Other Financing Sources (Uses):					
Sale of transportation equipment	0	1,125	1,125	1,125	0
Operating transfers in	3,072,468	4,863,902	270,894	1,791,434	(4,593,008)
Other financing sources	0	2,052	2,052	2,052	0
Operating transfers out	(3,310,714)	(7,428,035)	(2,835,027)	(4,117,321)	4,593,008
Other financing uses	0	0	0	0	0
Total Other Financing Sources (Uses)	(238,246)	(2,560,956)	(2,560,956)	(2,322,710)	0
Net Change in Fund Balances	(591,153)	(463,290)	(474,171)	127,863	(10,881)
Fund Balances:					
July 1, 2010, as originally reported	5,109,454	8,509,508	8,519,945	3,400,054	10,437
Prior period adjustments	0		445	0	445
July 1, 2010, as restated	5,109,454	8,509,508	8,520,390	3,400,054	10,882
June 30, 2011	$ 4,518,301	8,046,218	8,046,219	3,527,917	1

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

PEARL PUBLIC SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Title I Low Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 753,558	1,371,953	1,133,333	618,395	(238,620)
Total Revenues	753,558	1,371,953	1,133,333	618,395	(238,620)
Expenditures:					
Instruction	107,402	708,539	604,058	(601,137)	104,481
Support services	453,620	347,697	283,356	105,923	64,341
Noninstructional services	192,536	294,823	225,025	(102,287)	69,798
Total Expenditures	753,558	1,351,059	1,112,439	(597,501)	238,620
Excess (Deficiency) of Revenues over (under) Expenditures	0	20,894	20,894	20,894	0
Other Financing Sources (Uses):					
Operating transfers out	0	(20,894)	(20,894)	(20,894)	0
Total Other Financing Sources (Uses)	0	(20,894)	(20,894)	(20,894)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	0	0	0	0

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

Budgetary Comparison Schedule
Idea Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 880,319	1,024,322	636,609	144,003	(387,713)
Total Revenues	880,319	1,024,322	636,609	144,003	(387,713)
Expenditures:					
Instruction	671,894	777,854	473,404	(105,960)	304,450
Support services	207,425	245,468	163,115	(38,043)	82,353
Noninstructional services	1,000	1,000	90	0	910
Total Expenditures	880,319	1,024,322	636,609	(144,003)	387,713
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	0	0	0	0

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT

Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 383,681
National school lunch program	10.555	1,443,373
Total child nutrition cluster		1,827,054
Total passed-through Mississippi Department of Education		1,827,054
Total U.S. Department of Agriculture		1,827,054
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	65,899
Total U.S. Department of Defense		65,899
U. S. Department of the Interior		
Passed-through Rankin County, Mississippi		
Payments in lieu of taxes	15.226	11,615
Total U. S. Department of the Interior		11,615
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	80,198
Total Federal Communications Commission		80,198
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	44,573
Safe and drug-free schools and communities- state grants	84.186	7,429
Education technology state grants	84.318	13,116
English language acquisition grants	84.365	91,911
Improving teacher quality - state grants	84.367	228,006
ARRA - Education Technology State Grants	84.386	10,229
Subtotal		395,264
Title I cluster:		
Title I grants to local educational agencies	84.010	1,133,333
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	80,328
Total Title I cluster		1,213,661
Special education cluster:		
Special education - grants to states	84.027	636,609
Special education - preschool grants	84.173	28,378
ARRA - Special education grants to states, Recovery Act	84.391	304,226
ARRA - Special education - preschool grants, Recovery Act	84.392	16,069
Total special education cluster		985,282
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	927,122
Total State Fiscal Stabilization Fund cluster		927,122
ARRA - Education Jobs Fund (Ed Jobs)	84.410	692,319
Total passed-through Mississippi Department of Education		4,213,648
Total U.S. Department of Education		4,213,648
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	16,617
Total passed-through Mississippi Department of Education		16,617
Total U.S. Department of Health and Human Services		16,617
Total for All Federal Awards		$ 6,215,031

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

NOTES TO SCHEDULE

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

PEARL PUBLIC SCHOOL DISTRICT

Supplemental Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	22,461,325	16,951,384	1,076,569	1,681,800	2,751,572
Other		8,760,241	2,473,526	272,465	35,749	5,978,501
Total	$	31,221,566	19,424,910	1,349,034	1,717,549	8,730,073
Total number of students *		3,801				
Cost per student	$	8,214	5,110	355	452	2,297

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

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OTHER INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 10,753,749	$ 10,509,029	$ 10,503,310	$ 9,400,863
State sources	13,786,534	14,553,497	16,081,909	17,225,859
Federal sources	108,429	92,156	106,134	103,410
Total Revenues	24,648,712	25,154,682	26,691,353	26,730,132
Expenditures:				
Instruction	13,380,829	14,488,991	15,681,585	15,860,468
Support services	8,441,519	9,524,585	9,470,700	8,386,859
Noninstructional services	271,513	259,790	291,038	227,144
Sixteenth section			4,000	
Debt service:				
Principal	404,382	774,014	360,983	347,751
Interest	63,684	88,551	107,082	120,314
Total Expenditures	22,561,927	25,135,931	25,915,388	24,942,536
Excess (Deficiency) of Revenues over (under) Expenditures	2,086,785	18,751	775,965	1,787,596
Other Financing Sources (Uses):				
Sale of transportation equipment	1,125	600	1,376	824
Refund of prior year expenditures		3,403	17,130	
Operating transfers in	270,894	250,000	250,000	4,306,446
Other financing sources	2,052			
Operating transfers out	(2,835,027)	(403,671)	(522,018)	(1,830,095)
Total Other Financing Sources (Uses)	(2,560,956)	(149,668)	(253,512)	2,477,175
Net Change in Fund Balances	(474,171)	(130,917)	522,453	4,264,771
Fund Balances:				
Beginning of period, as originally reported	8,519,945	8,560,139	8,014,650	3,749,879
Prior period adjustments	445	90,723	23,036	
Beginning of period, as restated	8,520,390	8,650,862	8,037,686	3,749,879
End of Period	$ 8,046,219	$ 8,519,945	$ 8,560,139	$ 8,014,650

*SOURCE - PRIOR YEAR AUDIT REPORTS

PEARL PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 12,756,891	12,686,827	12,440,857	11,596,085
State sources	14,321,376	15,078,657	16,605,954	17,759,938
Federal sources	5,835,713	5,383,220	3,471,876	3,307,267
Sixteenth section sources	278,885	303,098	355,012	313,307
Total Revenues	33,192,865	33,451,802	32,873,699	32,976,597
Expenditures:				
Instruction	17,293,936	18,006,452	18,051,464	18,182,195
Support services	9,386,508	10,795,641	10,252,712	9,596,849
Noninstructional services	2,214,099	1,995,996	1,940,898	1,964,556
Sixteenth section		815	4,000	
Facilities acquisition and construction	116,750	544,739	1,008,685	54,776
Debt service:				
Principal	1,729,382	1,919,014	1,365,983	1,267,751
Interest	413,607	555,997	716,745	772,337
Other	67,284	68,657	4,150	4,150
Total Expenditures	31,221,566	33,887,311	33,344,637	31,842,614
Excess (Deficiency) of Revenues over (under) Expenditures	1,971,299	(435,509)	(470,938)	1,133,983
Other Financing Sources (Uses):				
Proceeds of refunding bonds		4,140,000		
Bond premium		16,155		
Refunding bonds issued	7,210,000			
Discount on refunding bonds issued	(25,137)			
Payment to refunded bond escrow agent	(7,117,753)	(4,091,648)		
Refund of prior year expenditures		3,403	17,130	
Sale of transportation equipment	1,125	600	1,376	824
Operating transfers in	3,105,921	676,964	722,018	6,172,202
Other financing sources	2,052			
Operating transfers out	(3,105,921)	(676,964)	(722,018)	(6,172,202)
Total Other Financing Sources (Uses)	70,287	68,510	18,506	824
Net Change in Fund Balances	2,041,586	(366,999)	(452,432)	1,134,807
Fund Balances:				
Beginning of period, as originally reported	10,448,281	10,732,158	11,096,605	10,222,297
Prior period adjustments	445	89,711	79,613	(257,320)
Beginning of period, as restated	10,448,726	10,821,869	11,176,218	9,964,977
Increase (Decrease) in reserve for inventory	21,247	(6,589)	8,372	(3,179)
End of Period	$ 12,511,559	10,448,281	10,732,158	11,096,605

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

PEARL PUBLIC SCHOOL DISTRICT

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

To the School Board
Pearl Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl Public School District, as of and for the year ended June 30, 2011, which collectively comprise the Pearl Public School District's basic financial statements and have issued our report thereon dated November 11, 2011. 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 Pearl Public 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 Pearl Public School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pearl Public School District's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Pearl Public 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*.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Suzanne E. Smith

Suzanne E. Smith, CPA

November 11, 2011

PEARL PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the School Board
Pearl Public School District

Compliance

We have audited Pearl Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pearl Public School District's major federal programs for the year ended June 30, 2011. Pearl Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pearl Public School District's management. Our responsibility is to express an opinion on Pearl Public 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 Pearl Public 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 of Pearl Public School District's compliance with those requirements.

In our opinion, Pearl Public School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Pearl Public School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pearl Public School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Pearl Public School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the school board, others within the entity, 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.

Suzanne E. Smith, CPA

November 11, 2011

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

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

Superintendent and School Board
Pearl Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2011, which collectively comprise Pearl Public School District's basic financial statements and have issued our report thereon dated November 11, 2011. 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 $13,815 of classroom supply funds carried over from previous years.

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

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

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

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

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

Suzanne E. Smith

Suzanne E. Smith, CPA

November 11, 2011

PEARL PUBLIC SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified

2. Internal control over financial reporting:
   a. Material weakness(es) identified? (Yes/No) No
   b. Significant deficiency(ies) identified? (Yes/None reported) None Reported

3. Noncompliance material to financial statements noted? (Yes/No) No

Federal Awards:

4. Internal control over major programs:
   a. Material weakness(es) identified? (Yes/No) No
   b. Significant deficiency(ies) identified? (Yes/None reported) None Reported

5. Type of auditor's report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) No

7. Identification of major programs:

CFDA Number	Award
Child Nutrition Cluster:	
10.553	School breakfast program
10.555	National school lunch program
Title I Cluster:	
84.010	Title I grants to local educational agencies
84.389	Title I grants to local educational agencies, recovery act
Special Education Cluster:	
84.027	Special education – grants to states
84.173	Special education – preschool grants
84.391	Special education – grants to states, recovery act
84.392	Special education – preschool grants, recovery act
State Fiscal Stabilization Fund (SFSF) Cluster:	
84.394	State Fiscal Stabilization Fund – Education state grants, recovery act
84.410	Education Jobs Fund (Ed Jobs), recovery act

8. Dollar threshold used to distinguish between type A and type B programs: $300,000

9. Auditee qualified as low-risk auditee? (yes/no) Yes

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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