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**PEARL RIVER COUNTY SCHOOL DISTRICT**

Audited Financial Statements  
For the Year Ended June 30, 2011



**PEARL RIVER COUNTY SCHOOL DISTRICT**  
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**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society  
of Certified Public  
Accountants

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

August 8, 2012

Superintendent and School Board  
Pearl River County School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District, as of June 30, 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 August 8, 2012, on

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130 Shadow Lake Drive - Hattiesburg, MS 39402  
Tel: 601-296-1007 / 601-408-0074  
Fax: 601-736-0039  
Email: [mccpafirm@gmail.com](mailto:mccpafirm@gmail.com)

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

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 River County 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 River County 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.

*McDaniel CPA Firm*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Pearl River County 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 \$2,432,974, including a prior period adjustment of (\$26,701), which represents a 14% increase from fiscal year 2010. Total net assets for 2010 decreased \$919,268, including a prior period adjustment of (\$127,007), which represents a 5% increase from fiscal year 2009.
- General revenues amounted to \$19,469,969 and \$20,190,686, or 76% and 82% 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 \$6,047,825, or 24% of total revenues for 2011, and \$4,348,452, or 18% of total revenues for 2010.
- The District had \$23,058,119 and \$23,492,863 in expenses for fiscal years 2011 and 2010; only \$6,047,825 for 2011 and \$4,348,452 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,190,686 for 2010 were adequate to provide for these programs. General revenues of \$19,469,969 for 2011 and \$20,190,686 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,072,297 in revenues and \$6,642,487 in expenditures for 2011, and \$18,389,414 in revenues and \$17,531,181 in expenditures in 2010. The General Fund's fund balance increased by \$2,146,171, including a prior period adjustment of \$(20,559), from 2010 to 2011, and increased by \$483,137 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$530,627 for 2011 and decreased by \$493,393 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$627,229 for 2011 and decreased by \$636,089 for 2010, including deferred charges on refunding debt and deferred bond premiums. This decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,554 for 2011 and increased by \$12,136 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.

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest 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 funds 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 other non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. 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 government funds financial statements.

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FOR THE YEAR ENDED JUNE 30, 2011

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 schedule 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 \$20,138,817 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.

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 10,951,501	\$ 8,491,992	28.96 %
Restricted assets	1,385,574	1,385,225	0.03 %
Capital assets, net	15,297,189	15,827,816	(3.35) %
<b>Total assets</b>	<b><u>27,634,264</u></b>	<b><u>25,705,033</u></b>	<b>7.51 %</b>
Current liabilities	1,759,784	1,622,879	8.44 %
Long-term debt outstanding	5,735,663	6,376,311	(10.05) %
<b>Total liabilities</b>	<b><u>7,495,447</u></b>	<b><u>7,999,190</u></b>	<b>(6.30) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	9,690,077	9,604,832	0.89 %
Restricted	2,915,054	2,742,703	6.28 %
Unrestricted	7,533,686	5,358,308	40.60 %
<b>Total net assets</b>	<b><u>\$ 20,138,817</u></b>	<b><u>\$ 17,705,843</u></b>	<b>13.74 %</b>

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 \$530,627.
- Proceeds from the issuance of limited obligation refunding bonds in the amount of \$1,592,000 in which the proceeds were used to refund bonds outstanding in the amount of \$1,565,000.
- The principal retirement of \$673,340 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 \$25,517,794 and \$24,539,138, respectively. The total cost of all programs and services was \$23,058,119 for 2011 and \$23,492,863 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.

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Table 2**  
**Change(s) in Net Assets**

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 1,967,061	\$ 795,584	147.25 %
Operating grants and contributions	4,080,764	3,552,868	14.86 %
<b>General revenues:</b>			
Property taxes	5,447,066	5,298,293	2.81 %
Grants and contributions not restricted	13,716,367	14,310,171	(4.15) %
Investment earnings	130,614	368,196	(64.53) %
Sixteenth section sources	69,184	155,402	(55.48) %
Other	106,738	58,624	82.08 %
<b>Total revenues</b>	<b>25,517,794</b>	<b>24,539,138</b>	<b>3.99 %</b>
<b>Expenses:</b>			
Instruction	13,622,074	14,190,739	(4.01) %
Support services	7,870,121	7,673,243	2.57 %
Non-instructional	1,308,919	1,342,217	(2.48) %
Sixteenth section	67,420	51,776	30.21 %
Interest and other expense on long-term liabilities	189,585	234,888	(19.29) %
<b>Total expenses</b>	<b>23,058,119</b>	<b>23,492,863</b>	<b>(1.85) %</b>
<b>Increase (Decrease) in net assets</b>	<b>2,459,675</b>	<b>1,046,275</b>	<b>135.09 %</b>
Net Assets, July 1	17,705,843	16,786,575	5.48 %
Prior Period Adjustment(s)	(26,701)	(127,007)	78.98 %
Net Assets Restated, July 1	17,679,142	16,659,568	6.12 %
<b>Net Assets, June 30</b>	<b>\$ 20,138,817</b>	<b>\$ 17,705,843</b>	<b>13.74 %</b>

**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.

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Table 3**  
**Net Cost of Governmental Activities**  
**Total Expenses**

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 13,622,074	\$ 14,190,739	(4.01) %
Support services	7,870,121	7,673,243	2.57 %
Non-instructional	1,308,919	1,342,217	(2.48) %
Sixteenth section	67,420	51,776	30.21 %
Interest on long-term liabilities	189,585	234,888	(19.29) %
<b>Total expenses</b>	<b>\$ 23,058,119</b>	<b>\$ 23,492,863</b>	<b>(1.85) %</b>

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (10,951,047)	\$ (12,078,548)	9.33 %
Support services	(5,906,167)	(6,879,895)	14.15 %
Non-instructional	103,925	86,084	(20.73) %
Sixteenth section	(67,420)	(37,164)	(81.41) %
Interest on long-term liabilities	(189,585)	(234,888)	19.29 %
<b>Total net (expense) revenue</b>	<b>\$ (17,010,294)</b>	<b>\$ (19,144,411)</b>	<b>11.15 %</b>

- Net cost of governmental activities in the amount of (\$17,010,294 for 2011 and \$19,144,411 for 2010) was financed by general revenue, which is primarily made up of property taxes of (\$5,447,066 for 2011 and \$5,298,293 for 2010 and state and federal revenues of (\$13,716,367 for 2011 and \$14,310,171 for 2010). In addition, there was \$69,184 and \$155,402 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$130,614 for 2011 and \$368,196 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 \$10,534,964, an increase of \$2,285,656, which includes a prior period adjustment of \$(20,559) and an increase in reserve for inventory of \$2,669. \$7,349,301, or 70%, 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 \$3,185,663, or 30%, 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 increase in fund balance in the General Fund for the fiscal year was \$2,146,171, which includes a prior period adjustment of \$(20,559). This increase in fund balance is due primarily to insurance loss recoveries received during the fiscal year and the District's conservative approach to budgeting and spending. The fund balance of the EHA Part B Fund was \$0 at fiscal year end and did

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

not have an increase or decrease in fund balance during the fiscal year. The fund balance of Other Governmental Funds showed an increase in the amount of \$139,485, which includes an increase in reserve for inventory of \$2,669.

#### 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. Significant budget revisions made during the fiscal year are explained as follows:

- Budgeted amounts for revenue from local sources in the General Fund were increased during the fiscal year primarily to reflect an increase in advalorem receipts.
- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately \$867,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the federal revenue received and expenditures incurred in the Budget Stabilization Fund.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- The budget for the General Fund was revised to reflect insurance loss recoveries received during the fiscal year.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funding were revised during the fiscal year to reflect actual revenue received and expenditures incurred during the fiscal year.

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 fund is provided in this report as required supplementary information.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$22,605,454, including land, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$111,907 from 2010, which is due primarily to the purchase of a new school bus and various items of equipment during the fiscal year. Total accumulated depreciation as of June 30, 2011, was \$7,308,265, and total depreciation expense for the year was \$636,967, resulting in total net capital assets of \$15,297,189.

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 759,736	\$ 759,736	0.00 %
Buildings	11,365,567	11,654,212	(2.48) %
Building improvements	1,485,456	1,574,904	(5.68) %
Improvements other than buildings	465,964	499,200	(6.66) %
Mobile equipment	1,012,646	1,085,994	(6.75) %
Furniture and equipment	207,820	253,770	(18.11) %
<b>Total</b>	<b>\$ 15,297,189</b>	<b>\$ 15,827,816</b>	<b>(3.35) %</b>

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 \$5,735,663 in outstanding long-term debt, including deferred charges on refunding debt and deferred bond premiums, of which \$663,651 is due within one year. During the fiscal year, the District received proceeds from the issuance of limited obligation refunding bonds in the amount of \$1,592,000, in which the proceeds were used to refund outstanding bonds in the amount of \$1,565,000. The District made principal payments in the amount of \$673,340 on outstanding long-term debt. The liability for compensated absences increased \$8,554 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 2,410,000	\$ 2,715,000	(11.23) %
Limited obligation bonds payable	1,592,000	1,775,000	(10.31) %
Three mill notes payable	703,000	828,000	(15.10) %
Shortfall notes payable	34,973	68,313	(48.80) %
Qualified zone academy bonds payable	1,000,000	1,000,000	0.00 %
Compensated absences payable	93,568	85,014	10.06 %
<b>Sub Total</b>	<b>5,833,541</b>	<b>6,471,327</b>	<b>(9.86) %</b>
Less deferred charges and bond premiums	(97,878)	(95,016)	3.01 %
<b>Total</b>	<b>\$ 5,735,663</b>	<b>\$ 6,376,311</b>	<b>(10.05) %</b>

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

**CURRENT ISSUES**

The Pearl River County 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,

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



**BASIC FINANCIAL STATEMENTS**



PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 9,626,593
Due from other governments	1,157,491
Other receivables, net	15,260
Inventories	61,971
Deferred debt issue costs	90,186
Restricted assets	1,385,574
Capital assets, non-depreciable:	
Land	759,736
Capital assets, net of accumulated depreciation:	
Buildings	11,365,567
Building improvements	1,485,456
Improvements other than buildings	465,964
Mobile equipment	1,012,646
Furniture and equipment	207,820
 <b>Total assets</b>	 <u>27,634,264</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	593,243
Due to other governments	1,118,682
Interest payable on long-term liabilities	47,859
Long-term liabilities, due within one year:	
Capital related liabilities	624,000
Non-capital related liabilities	39,651
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,983,122
Non-capital related liabilities	88,890
 <b>Total liabilities</b>	 <u>7,495,447</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	9,690,067
Restricted for:	
Expendable:	
School-based activities	943,204
Debt service	1,453,564
Forestry improvements	106,695
Unemployment benefits	37,909
Non-expendable:	
Sixteenth section	373,682
Unrestricted	7,533,696
 <b>Total net assets</b>	 <u>\$ 20,138,817</u>

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit E

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 13,622,074	524,343	2,146,684		\$ (10,951,047)
Support Services	7,870,121	1,093,842	870,112		(5,906,167)
Non-instructional	1,308,919	348,875	1,063,968		103,925
Sixteenth section	67,420				(67,420)
Interest and other expenses on long-term liabilities	189,585				(189,585)
<b>Total governmental activities</b>	<b>\$ 23,058,119</b>	<b>1,967,061</b>	<b>4,080,764</b>	<b>-</b>	<b>(17,010,294)</b>

General Revenues:

Taxes	
General purpose levies	4,787,355
Debt purpose levies	658,711
Unrestricted grants and contributions:	
State	12,724,735
Federal	981,632
Unrestricted investment earnings	130,614
Sixteenth section sources	89,184
Other	106,738
<b>Total General Revenues</b>	<b>18,469,969</b>

Change in Net Assets

2,458,675

Net Assets - Beginning, as originally reported

17,705,843

Prior Period Adjustments

(26,701)

Net Assets - Beginning - as restated

17,679,142

Net Assets - Ending

\$ 20,138,817

PEARL RIVER COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2011

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	EHA Part B Fund		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,217,547		1,780,346	\$ 9,997,893
Cash with fiscal agents			1,238	1,238
Investments			1,013,036	1,013,036
Due from other government	350,327	358,917	388,045	1,097,289
Other receivables, net			15,260	15,260
Due from other funds	467,818			467,818
Inventories			61,971	61,971
<b>Total assets</b>	<b>9,035,692</b>	<b>358,917</b>	<b>3,259,896</b>	<b>12,654,505</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts payable and accrued liabilities	1,462,470	165,189	84,266	1,711,925
Due to other funds	1,181	193,728	212,707	407,616
<b>Total liabilities</b>	<b>1,463,651</b>	<b>358,917</b>	<b>296,973</b>	<b>2,119,541</b>
<i>Fund Balances:</i>				
<b>Nonspendable:</b>				
Inventory			61,971	61,971
Permanent fund principal			373,682	373,682
<b>Restricted:</b>				
Debt Service			1,501,423	1,501,423
Capital projects			10	10
Forestry improvement purposes			106,695	106,695
Unemployment benefits			37,909	37,909
Other purposes			881,233	881,233
<b>Assigned:</b>				
Other purposes	222,740			222,740
<b>Unassigned</b>	<b>7,349,301</b>			<b>7,349,301</b>
<b>Total fund balances</b>	<b>7,572,041</b>	<b>-</b>	<b>2,962,923</b>	<b>10,534,964</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,035,692</b>	<b>\$ 358,917</b>	<b>3,259,896</b>	<b>\$ 12,654,505</b>

PEARL RIVER COUNTY SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2011

Exhibit C-1

	<u>Amount</u>
Total fund balance for governmental funds	\$ 10,534,964
Amount 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	759,736
Buildings	15,066,435
Building Improvements	2,305,225
Improvements other than buildings	830,893
Mobile equipment	2,715,722
Furniture and equipment	927,443
Accumulated depreciation	<u>(7,308,265)</u>
	15,297,189
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	(2,410,000)
Limited obligation bonds	(1,592,000)
Other bonds payable	(1,000,000)
Notes payable	(737,973)
Compensated absences	(93,568)
Unamortized charges	190,781
Unamortized premiums	(2,717)
Accrued interest payable	<u>(47,859)</u>
	<u>(5,693,336)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 20,138,817</u></b>

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	EHA Part B Fund		
<b>Revenues:</b>				
Local sources	\$ 5,452,793		1,095,650	\$ 6,548,443
State sources	12,502,497		609,549	13,112,046
Federal sources	117,007	578,113	3,989,966	4,685,086
Sixteenth section sources			77,727	77,727
<b>Total revenues</b>	<b>18,072,297</b>	<b>578,113</b>	<b>5,772,892</b>	<b>24,423,302</b>
<b>Expenditures:</b>				
Instruction	9,979,921	288,840	2,994,688	13,263,449
Support services	6,661,826	289,273	772,972	7,724,071
Noninstructional services	90		1,271,612	1,271,702
Sixteenth section			67,420	67,420
Debt service:				
Principal			673,340	673,340
Interest			204,595	204,595
Other	650		20,685	21,335
<b>Total expenditures</b>	<b>16,642,487</b>	<b>578,113</b>	<b>6,005,312</b>	<b>23,225,912</b>
Excess (deficiency) of Revenues over (under) Expenditures	1,429,810		(232,420)	1,197,390
<b>Other Financing Sources (Uses)</b>				
Insurance recovery	1,093,842			1,093,842
Refunding bonds issued			1,592,000	1,592,000
Payment to refunded bond escrow agent			(1,580,336)	(1,580,336)
Operating transfers in			356,922	356,922
Other financing sources			650	650
Operating transfers out	(356,922)			(356,922)
<b>Total other financing sources (uses)</b>	<b>736,920</b>		<b>369,236</b>	<b>1,106,156</b>
<b>Net change in fund balances</b>	<b>2,166,730</b>		<b>136,816</b>	<b>2,303,546</b>
<b>Fund Balances:</b>				
July 1, 2010, as originally reported	5,425,870		2,823,438	8,249,308
Prior period adjustments	(20,559)			(20,559)
July 1, 2010, as restated	5,405,311		2,823,438	8,228,749
Increase (Decrease) in reserve for Inventory			2,669	2,669
<b>June 30, 2011</b>	<b>\$ 7,572,041</b>		<b>2,962,923</b>	<b>\$ 10,534,964</b>

PEARL RIVER COUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2011

Exhibit D-1

	<u>Amount</u>	
Net change in fund balances - governmental funds	\$ 2,303,546	
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays 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	112,482	
Depreciation expense	<u>(636,967)</u>	(524,485)
2. 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	(1,592,000)	
Payments of debt principal	673,340	
Payments to refunded bond escrow agent	1,580,336	
Accrued interest payable	32,876	
Deferred issuance costs and charges on refunding	<u>15,943</u>	710,495
3. 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	(8,554)	
Change in inventory reserve	2,669	
Amortization of deferred charges, premiums and discounts	<u>(23,996)</u>	(29,881)
 Change in net assets of governmental activities	 <u><u>\$ 2,459,675</u></u>	

PEARL RIVER COUNTY SCHOOL DISTRICT  
 Statement of Fiduciary Net Assets  
 June 30, 2011

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,493	\$ 81,227
<i>Total assets</i>	<u>1,493</u>	<u>81,227</u>
<b>Liabilities</b>		
Due to other funds		60,202
Due to student clubs		21,025
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 81,227</u>
<b>Net Assets</b>		
Reserved for endowments Held in Trust	1,493	
<i>Total net assets</i>	<u>\$ 1,493</u>	

PEARL RIVER COUNTY SCHOOL DISTRICT  
 Statement of Changes in Fiduciary Net Assets  
 For the Year Ended June 30, 2011

Exhibit F

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Interest on investments	\$ 17
<i>Total additions</i>	<u>17</u>
<b>Deductions</b>	
Scholarship awarded	1,500
<i>Total deductions</i>	<u>1,500</u>
Change in Net Assets	<u>(1,483)</u>
<b>Net Assets</b>	
July 1, 2010	<u>2,976</u>
June 30, 2011	<u><u>1,493</u></u>

**NOTES TO FINANCIAL STATEMENTS**



# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2011

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

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

#### 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 for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2011

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.

EHA Part B Fund - This fund is used to account for federal revenue and expenses related to the special education program of the district.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Coca-Cola Scholarship Fund - This fund is used to account for funds received from Coca-Cola for scholarships to students at the district.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUND TYPES

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2011

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

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

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

#### 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.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2011

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

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

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

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

#### 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.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

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, as well as for its component units, are reported at fair market value.

2. Receivables and payables.

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

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

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets.

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

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 long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2011

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 that 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. Currently there is no committed fund balance for this district.

*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 Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

*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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

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.

(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 deposits 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 interest in, any open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, 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.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

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 \$9,997,893 and \$82,720, 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 the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$10,496,656 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 \$1,238.

Investments.

As of June 30, 2011, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (In years)</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Treasury Bills	less than one year	\$ 831,528	not rated
Federal US Treasury Cash Reserves Money Market Mutual Fund	less than one year	\$ 181,508	AAAm*
<i>Total Investments</i>		\$ 1,013,036	

\*The investment in the Federal US Treasury Cash Reserves Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the Federal government.

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2011, the district did not have any investments to which this would apply.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

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

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

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

A. Due from / To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 467,818	1,181
EHA Part B fund		193,728
Other governmental funds		212,707
Fiduciary fund		60,202
Total Funds	<u>\$ 467,818</u>	<u>467,818</u>

The purpose of interfund loans was to account for federal funds that were not received until after the year ending 6/30/2011.

B. Inter-fund Transfers.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ -	356,922
Other governmental funds	356,922	-
Total Funds	<u>\$ 356,922</u>	<u>356,922</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling \$371,300 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 and investment balance, totaling \$1,238 and \$831,528, respectively, of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the investment balance, totaling \$181,508 of the MAEP Limited Obligation Bond/Note Fund.

(5) Capital Assets.

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

	Balance 7/1/2010	Additions	Retirements	** Adjustments	Balance 6/30/2011
<b>Non-depreciable capital assets:</b>					
Land	\$ 759,736				\$ 759,736
Total non-depreciable capital assets	759,736	-	-	-	759,736
<b>Depreciable capital assets:</b>					
Buildings	15,065,435				15,066,435
Building improvements	2,305,225				2,305,225
Improvements other than buildings	830,893				830,893
Mobile equipment	2,630,722	85,000			2,715,722
Furniture and equipment	900,536	27,482		(575)	927,443
Total depreciable capital assets	21,733,811	112,482	-	(575)	21,845,718
<b>Less accumulated depreciation for:</b>					
Buildings	3,412,223	285,226		3,419	3,700,868
Building improvements	730,321	89,448			819,769
Improvements other than buildings	331,693	33,236			364,929
Mobile equipment	1,544,728	158,348			1,703,076
Furniture and equipment	646,766	70,709		2,148	719,623
Total accumulated depreciation	6,665,731	636,967	-	5,567	7,308,265
Total depreciable capital assets, net	15,068,080	(524,485)	-	(6,142)	14,537,453
Governmental activities capital assets, net	\$ 15,827,816	(524,485)	-	(6,142)	\$ 15,297,189

\*\* adjustments were needed to capital assets and accumulated depreciation to properly classify certain assets.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 356,838
Support Services	242,987
Non-Instructional	37,112
<b>Total depreciation expense</b>	<b><u>\$ 636,937</u></b>

(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	** Adjustment	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	\$ 2,715,000		305,000		2,410,000	310,000
Add deferred amounts:						
For issuance costs	3,057		340		2,717	
Less deferred amounts:						
on refunding	(98,073)		(10,897)		(87,176)	
Total general obligation bonds payable	2,619,984	-	294,443	-	2,325,541	310,000
B. Limited obligation bonds payable	1,775,000	1,592,000	1,775,000		1,592,000	204,000
Less deferred amounts on refunding:		(15,336)	(1,917)		(13,419)	
Total limited obligation bonds payable	1,775,000	1,576,664	1,773,083	-	1,578,581	204,000
C. Three mill notes payable	828,000		125,000		703,000	110,000
D. Shortfall notes payable	68,313		33,340		34,973	34,973
E. Qualified zone academy bonds payable	1,000,000				1,000,000	
F. Compensated absences payable	85,014	8,554			93,568	4,678
<b>Total</b>	<b><u>\$ 6,376,311</u></b>	<b><u>1,585,218</u></b>	<b><u>2,225,866</u></b>	<b><u>-</u></b>	<b><u>5,735,663</u></b>	<b><u>663,651</u></b>

A. General obligation bonds payable.

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, series 2003	2.00-3.85	8/19/2003	2/15/2018	4,475,000	2,410,000
Total				<u>\$ 4,475,000</u>	<u>\$ 2,410,000</u>

Details of the district's general obligation bonded indebtedness are as follows:

1. Bond issue of 8/19/2003

Year Ending June 30	Principal	Interest	Total
2012	310,000	85,353	395,353
2013	320,000	75,278	395,278
2014	335,000	64,878	399,878
2015	350,000	53,488	403,488
2016	360,000	41,063	401,063
2017-2018	735,000	41,783	776,783
Total	<u>\$ 2,410,000</u>	<u>\$ 361,843</u>	<u>\$ 2,771,843</u>

This debt will be retired from the 2003 retirement fund (4022).

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 2.91 % of property assessments as of October 1, 2010.

B. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district with a pledge of it Education Enhancement Funds from the State of Mississippi for buildings and buses. Limited obligation bonds currently outstanding are as follows:

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2011**

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bond, series 1998	4.25-6.00%	5/1/1998	8/1/2017	3,450,000	-
State aid capital improvement refunding bond, series 2011	2.45%	4/18/2011	8/1/2017	<u>1,592,000</u>	<u>1,592,000</u>
<i>Total</i>				<u>\$ 5,042,000</u>	<u>\$ 1,592,000</u>

Details of the district's limited obligation bonds indebtedness are as follows:

- Limited obligation bond issue of May 1, 1998.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	204,000	412,761	616,761
2013	245,000	385,254	630,254
2014	255,000	358,394	613,394
2015	260,000	33,863	293,863
2016	270,000	22,163	292,163
2017-2018	358,000	6,297	364,297
<b>Total</b>	<u>1,592,000</u>	<u>1,218,732</u>	<u>2,810,732</u>

This debt will be retired from the 1998 Bond Retirement Fund (4041).

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

On 4/18/11, the district issued \$1,592,000 in state aid capital improvement refunding bonds, series 2011 with an average interest rate of 2.45% to advance refund \$1,565,000 of outstanding state aid capital improvement bonds, series 1998 with an average interest rate of 5.10%. The net proceeds of \$1,577,000 after payments of \$15,000 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the state aid capital improvement bonds, series 1998.

As a result, the state aid capital improvement bonds, series 1998, are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the state aid capital improvement bonds, series 1998, to reduce its total debt service payments over the remaining 7 years of the debt by approximately \$88,197 and to realize an economic gain of \$88,197.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2004	1.40-4.05%	4/2/2004	4/1/2017	2,000,000	703,000
<i>Total</i>				<u>\$ 2,000,000</u>	<u>\$ 703,000</u>

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

1. Three mill notes payable issued May 2, 2004.

Year Ending June 30	Principal	Interest	Total
2012	110,000	26,383	136,383
2013	111,000	22,698	133,698
2014	115,000	18,758	133,758
2015	119,000	14,503	133,503
2016	123,000	9,921	132,921
2017	125,000	5,063	130,063
<i>Total</i>	<u>\$ 703,000</u>	<u>\$ 97,326</u>	<u>\$ 800,326</u>

This debt will be retired from the Three mill debt service fund (4022).

D. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, Series 2008	4.90%	10/9/2008	10/9/2011	100,095	34,973
<i>Total</i>				<u>\$ 100,095</u>	<u>\$ 34,973</u>

Details of the district's shortfall notes payable are as follows:

1. Shortfall notes payable issued on October 9, 2008.

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2011**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	34,973	1,714	36,687
<b>Total</b>	<b>\$ 34,973</b>	<b>\$ 1,714</b>	<b>\$ 36,687</b>

This debt will be retired from the shortfall note retirement fund (4011).

**E. Qualified zone academy bonds payable.**

As more fully explained in note 14, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified Zone Academy Bond, Series 2004	0.00%	11/18/2004	11/18/2014	1,000,000	1,000,000
<b>Total</b>				<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>

**F. Compensated absences payable.**

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

**(7) Other Commitments**

Operating leases:

The school district has an operating lease for a postage machine.

Lease expenditures for the year ended June 30, 2011, amounted to \$ 2,420. The lease was paid in full at 6/30/2011.

**(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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 \$ 1,450,192, \$ 1,503,721 and \$ 1,494,618, respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2012	54,218
2013	53,210
2014	53,210
2015	49,869
2016	48,625
2017-2021	245,985
2022-2026	231,155
2027-2031	212,415
2032-2036	191,785
2037-2041	74,214
<i>Total</i>	<u>\$ 1,214,686</u>

(10) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:  
Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To account for revenues received in a prior period	\$ (26,701)
Total	<u>\$ (26,701)</u>

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2011**

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

<u>Major Funds:</u>	<u>Explanations</u>	<u>Amount</u>
General fund	To account for revenues received in a prior period	\$ (20,559)
	Total	<u>\$ (20,559)</u>

(11) **Contingencies.**

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

(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. 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.

(13) **Uncertainties.**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. ( 1972 ).

Of the townships Pearl River County School District shares with other school districts, Pearl River County School District has control of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Pearl River County School District received on these sections may be due to other school districts.

(14) **Qualified Zone Academy Bonds.**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs for kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Cutrer Entertainment, Mr. Nathan Farmer, Hancock Bank, Mr. Ted Musgrove, Watkins & Young PLLC and Wellness Works have entered into such an arrangement dated May 26, 2004.

Cutrer Entertainment agrees to make periodic donations of in-kind services to the district having a true, aggregate value of \$ 4,000. Cutrer Entertainment will make the contribution over a period of not more than 10 years.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2011

Mr. Nathan Farmer agrees to make periodic donations of in-kind services to the district having a true, aggregate value of \$ 37,500. Mr. Farmer will make the contribution over a period of not more than 10 years.

Mr. Nathan Farmer agrees to make donations to the district to assist it in meeting the Act's preconditions for issuing its QZAB Bonds. The contributor will make donations of cash to the district having a true, aggregate value of \$ 3,000.

Hancock Bank agrees to make periodic donations of in-kind to the district having a true, aggregate value of \$ 2,000. Hancock Bank will make the contribution over a period of not more than 10 years.

Ted Musgrove agrees to make periodic donations of in-kind services to the district having a true, aggregate value of \$ 2,000. Mr. Musgrove will make the contribution over a period of not more than 10 years.

Watkins & Young PLLC agreed to make two donations of cash to the district having a true aggregate value of \$ 5,500.

Wellness Works agreed to provide occupational services to the district, including employee screening and other related health and risk management services. This pledge constitutes a qualified contribution with a true aggregate value of \$ 30,000. Wellness Works will provide services valued at \$ 3,000 per year for 10 years.

National Education Foundation, the owner of the cyberlearning.org website, which contains a series of on-line and CD-Rom courses for use in elementary and secondary schools. The contributor will donate the licenses to the course having a fair market value equal to or greater than ten percent (10%) of the amount of the QZAB loan proceeds. The Contributor will grant licenses for a period of not less than twelve (12) months.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before November 5 of each year. The amount on deposit at June 30, 2011 was \$832,766. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt.



**REQUIRED SUPPLEMENTARY INFORMATION**



Pearl River County School District  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2011

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	5,328,179	5,452,783	5,452,783	124,614	-
State sources	13,375,111	12,502,497	12,502,497	(872,614)	-
Federal sources	78,000	117,007	117,007	39,007	-
<b>Total Revenues</b>	<b>18,781,290</b>	<b>18,072,297</b>	<b>18,072,297</b>	<b>(708,993)</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	11,594,270	9,980,037	9,979,921	1,614,233	116
Support services	6,842,311	6,648,535	6,661,826	193,776	(13,291)
Noninstructional services		90	90	(90)	-
Facilities acquisition and construction		13,291		(13,291)	13,291
Debt service:					
Other		650	650	(650)	-
<b>Total Expenditures</b>	<b>18,436,581</b>	<b>16,642,603</b>	<b>16,642,487</b>	<b>1,793,978</b>	<b>116</b>
Excess (deficiency) of revenues over expenditures	344,709	1,429,694	1,429,810	1,084,985	116
<b>Other Financing Sources (Uses)</b>					
Insurance loss recoveries		1,093,842	1,093,842	1,093,842	-
Sale of other property				-	-
Operating transfers in	2,814,209	2,811,959		(2,250)	(2,811,959)
Operating transfers out	(3,285,888)	(3,168,881)	(356,922)	97,007	2,811,959
<b>Total Other Financing Sources (Uses)</b>	<b>(451,679)</b>	<b>738,920</b>	<b>736,920</b>	<b>1,188,599</b>	<b>-</b>
Net change in fund balances	(106,970)	2,166,614	2,166,730	2,273,584	116
<b>Fund Balances:</b>					
July 1, 2010	3,775,000	7,572,044	5,425,870	3,797,044	(2,146,174)
Prior Period Adjustments		(20,559)	(20,559)	(20,559)	-
July 1, 2010, as restated	3,775,000	7,551,485	5,405,311	3,776,485	(2,146,174)
June 30, 2011	3,668,030	9,718,099	7,572,041	6,050,069	(2,146,058)

PEARL RIVER COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 EHA Part B Fund  
 For the Year Ended June 30, 2011

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	560,000	578,113	578,113	18,113	-
Total Revenues	560,000	578,113	578,113	18,113	-
<b>Expenditures:</b>					
Instruction	363,613	288,840	288,840	74,773	-
Support services	196,387	289,273	289,273	(92,886)	-
Total Expenditures	560,000	578,113	578,113	(18,113)	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2010	-	-	-	-	-
June 30, 2011	-	-	-	-	-

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) **Basis of Presentation.**

The Budgetary Comparison Schedules present 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**



PEARL RIVER COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>		
Passed - through Mississippi Department of Education.		
Child Nutrition Cluster:		
School breakfast program	10.553	290,647
National school lunch program	10.555	898,801
Total child nutrition cluster		1,189,448
<b>Total U.S. Department of Agriculture</b>		1,189,448
<b><u>U.S. Department of Defense</u></b>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	76,305
<b>Total U.S. Department of Defense</b>		76,305
<b><u>Federal Communication Commission</u></b>		
Administered through Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	55,624
<b>Total Federal Communication Commission</b>		55,624
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I Cluster		
Title I grants to local educational agencies	84.010	681,692
Title I grants to local educational agencies - Recovery Act	84.389	174,698
Total Title I cluster		856,390
Career and technical education - basic grants to states	84.048	57,896
Safe and drug-free schools and communities - state grants	84.186	3,083
Education for homeless children and youth	84.196	199
Rural education	84.358	83,000
Improving teacher quality - state grants	84.367	250,266
State fiscal stabilization fund - Education State Grants - Recovery act	84.394	991,879
Total		2,242,713
Special education cluster:		
Special education - grants to states	84.027	596,573
Special education - preschool grants	84.173	44,230
Special education - grants to states - Recovery Act	84.391	438,810
Special education - preschool grants - Recovery Act	84.392	15,501
Total special education cluster		1,095,414
Total Passed-through Mississippi Department of Education		3,338,127
<b>Total U.S. Department of Education</b>		3,338,127
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education		
Medical assistance program	93.778	12,370
<b>Total U.S. Department of Health and Human Services</b>		12,370
<b>Total for All Federal Awards</b>		<b>\$ 4,671,874</b>

**NOTES TO SCHEDULE**

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

Pearl River County School District  
 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	\$ 16,668,851	689,520	1,186,112	2,777,898
Other	6,557,061	262,198	98,654	4,365,319
Total	23,225,912	951,718	1,284,766	7,143,217
Total number of students *		2,785		
Cost per student \$		342	461	2,565
		4,972		

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

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

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

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

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

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

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

**OTHER INFORMATION**



## PEARL RIVER COUNTY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

## General Fund

## Last Four Years

	2011	2010 <sup>*</sup>	2009 <sup>*</sup>	2008 <sup>*</sup>
<b>Revenues:</b>				
Local sources	\$ 5,452,793	5,384,131	5,082,892	4,603,301
State sources	12,502,497	12,942,183	14,184,206	15,122,582
Federal sources	117,007	63,100	77,948	140,270
Total Revenues	<u>18,072,297</u>	<u>18,389,414</u>	<u>19,345,046</u>	<u>19,866,153</u>
<b>Expenditures:</b>				
Instruction	9,979,921	10,764,889	12,560,557	12,204,496
Support services	6,661,826	6,743,640	7,146,700	6,511,390
Noninstructional services	90	22,652	58,429	17,603
Facilities acquisition and construction			1,740,865	438,894
<b>Debt service:</b>				
Other	650			
Total Expenditures	<u>16,642,487</u>	<u>17,531,181</u>	<u>21,506,551</u>	<u>19,172,383</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,429,810</u>	<u>858,233</u>	<u>(2,161,505)</u>	<u>693,770</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans			100,095	
Insurance loss recoveries	1,093,842			
Sale of transportation equipment			380	
Sale of other property			280	
Operating transfers in		2,739,295	12,667	8,344
Other financing sources				
Operating transfers out	(356,922)	(3,114,391)	(914,811)	(1,303,494)
Payment to refunded bond escrow agent			(1,113)	
Total Other Financing Sources (Uses)	<u>736,920</u>	<u>(375,096)</u>	<u>(802,502)</u>	<u>(1,295,150)</u>
Net Change in Fund Balances	<u>2,166,730</u>	<u>483,137</u>	<u>(2,964,007)</u>	<u>(601,380)</u>
<b>Fund Balances:</b>				
Fund balance, July 1	5,425,870	4,942,733	7,892,021	8,494,181
Prior period adjustments	(20,559)		14,719	(780)
Fund balance, July 1, as restated	<u>5,405,311</u>	<u>4,942,733</u>	<u>7,906,740</u>	<u>8,493,401</u>
Residual equity transfer in				
Fund balance, June 30	<u>\$ 7,572,041</u>	<u>5,425,870</u>	<u>4,942,733</u>	<u>7,892,021</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 6,548,443	6,471,388	6,295,469	5,983,287
State sources	13,112,046	13,522,409	14,869,137	15,735,063
Federal sources	4,685,086	4,340,631	2,809,489	2,363,100
Sixteenth section sources	77,727	204,060	115,498	96,679
Total Revenues	<u>24,423,302</u>	<u>24,538,488</u>	<u>24,089,593</u>	<u>24,178,129</u>
<b>Expenditures:</b>				
Instruction	13,263,449	13,819,287	14,474,989	13,918,219
Support services	7,724,071	7,689,048	8,412,944	8,058,803
Noninstructional services	1,271,702	1,304,313	1,460,727	1,298,842
Sixteenth section	67,420	51,776	29,660	13,630
Facilities acquisition and construction			1,740,865	662,080
<b>Debt service:</b>				
Principal	673,340	658,782	690,000	688,000
Interest	204,595	227,965	245,015	266,128
Other	21,335	3,710	4,726	3,150
Total Expenditures	<u>23,225,912</u>	<u>23,754,881</u>	<u>27,058,926</u>	<u>24,908,852</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,197,390</u>	<u>783,607</u>	<u>(2,969,333)</u>	<u>(730,723)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans			100,095	
Payment held by QZAB debt escrow agent		62,925	63,575	63,575
Insurance recovery	1,093,842			
Refunding bonds issued	1,592,000			
Payment to refunded bond escrow agent	(1,580,336)			
Sale of transportation equipment			380	
Sale of other property			280	
Operating transfers in	356,922	3,141,776	931,660	1,319,819
Other financing sources	650	650		
Operating transfers out	(356,922)	(3,141,776)	(931,660)	(1,319,819)
Payment to QZAB debt escrow agent		(62,925)	(62,925)	(62,925)
Other financing uses			(1,113)	
Total Other Financing Sources (Uses)	<u>1,106,156</u>	<u>650</u>	<u>100,292</u>	<u>650</u>
Net Change in Fund Balances	<u>2,303,546</u>	<u>784,257</u>	<u>(2,869,041)</u>	<u>(730,073)</u>
<b>Fund Balances</b>				
Fund balance, July 1	8,249,308	7,470,551	10,332,323	11,075,444
Prior period adjustments	(20,559)		(4,579)	(1,100)
Fund balance, July 1, as restated	<u>8,228,749</u>	<u>7,470,551</u>	<u>10,327,744</u>	<u>11,074,344</u>
Increase (Decrease) in reserve for inventory	<u>2,669</u>	<u>(5,500)</u>	<u>11,848</u>	<u>(11,948)</u>
Fund balance, June 30	<u>\$ 10,534,964</u>	<u>8,249,308</u>	<u>7,470,551</u>	<u>10,332,323</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



McDaniel CPA Firm  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society  
of Certified Public  
Accountants

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

August 8, 2012

Superintendent and School Board  
Pearl River County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl County School District as of and for the year ended June 30, 2011, which collectively comprise the Pearl River County School District's basic financial statements and have issued our report thereon dated August 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-1 to be a significant deficiency in internal control over financial reporting.

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

The school district's response to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's response and, accordingly, I express no opinion on them.

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

*McDaniel CPA Firm*

**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society  
of Certified Public  
Accountants

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

August 8, 2012

Superintendent and School Board  
Pearl River County School District

Compliance

We have audited the compliance of the Pearl River County School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Pearl River County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Pearl River County School District complied, in all material respects, with the requirements referred to above that 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 the Pearl River County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pearl River County School District's internal control over compliance with 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 the 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 the 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 the 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 the school board and management, others within the entity, entities with accreditation oversight, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

*McDaniel CPA Firm*

**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society  
of Certified Public  
Accountants

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

August 8, 2012

Superintendent and School Board  
Pearl River County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2011, which collectively comprise Pearl River County School District's basic financial statements and have issued our report thereon dated August 8, 2012. 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 \$ 4,928 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.

*McDaniel CPA Firm*

PEARL RIVER COUNTY SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

**Section 1: 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?                  | no          |
|     | b. Significant deficiency (ies) identified ?          | yes         |
| 3   | Noncompliance material to financial statements noted? | no          |

Federal Awards:

- | 4 .          | Internal control over major programs:   |               |                                    |        |                         |        |                         |        |  |        |  |  |
|--------------|---|---------------|------------------------------------|--------|-------------------------|--------|-------------------------|--------|--|--------|--|--|
|              | a. Material weakness(es) identified?  | no            |                                    |        |                         |        |                         |        |  |        |  |  |
|              | b. Significant deficiency (ies) identified ?  | none reported |                                    |        |                         |        |                         |        |  |        |  |  |
| 5 .          | Type of auditor's report issued on compliance for major federal programs:   | unqualified   |                                    |        |                         |        |                         |        |  |        |  |  |
| 6 .          | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  | no            |                                    |        |                         |        |                         |        |  |        |  |  |
| 7 .          | Identification of major programs:   |               |                                    |        |                         |        |                         |        |  |        |  |  |
|              | <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">CFDA Numbers</th> <th style="text-align: left; border-bottom: 1px solid black;">Name of Federal Program or Cluster</th> </tr> </thead> <tbody> <tr> <td>10.553</td> <td>Child Nutrition Cluster</td> </tr> <tr> <td>10.555</td> <td>Child Nutrition Cluster</td> </tr> <tr> <td>84.394</td> <td>ARRA - State Fiscal Stabilization - Education State Grants</td> </tr> <tr> <td>84.367</td> <td>Improving teacher quality - state grants</td> </tr> </tbody> </table> | CFDA Numbers  | Name of Federal Program or Cluster | 10.553 | Child Nutrition Cluster | 10.555 | Child Nutrition Cluster | 84.394 | ARRA - State Fiscal Stabilization - Education State Grants | 84.367 | Improving teacher quality - state grants |  |
| CFDA Numbers | Name of Federal Program or Cluster  |               |                                    |        |                         |        |                         |        |  |        |  |  |
| 10.553       | Child Nutrition Cluster   |               |                                    |        |                         |        |                         |        |  |        |  |  |
| 10.555       | Child Nutrition Cluster   |               |                                    |        |                         |        |                         |        |  |        |  |  |
| 84.394       | ARRA - State Fiscal Stabilization - Education State Grants  |               |                                    |        |                         |        |                         |        |  |        |  |  |
| 84.367       | Improving teacher quality - state grants  |               |                                    |        |                         |        |                         |        |  |        |  |  |
| 8 .          | Dollar threshold used to distinguish between type A and type B programs:  | \$ 300,000    |                                    |        |                         |        |                         |        |  |        |  |  |
| 9 .          | Auditee qualified as a low-risk auditee?  | no            |                                    |        |                         |        |                         |        |  |        |  |  |

Section 2: Financial Statement Findings

Finding 2011-01

Per review of the district's fixed asset records, there were 3 assets listed as active fixed assets that were actually disposed of in prior years.

Criteria: The district should have a complete and accurate listing of current active fixed assets.

Cause: The district is in the process of updating their fixed asset listing.

Effect: The district does not have a complete and accurate listing of fixed assets.

Recommendation: I recommend that the district implement procedures to update the fixed asset listing of the district.

Section 3: Federal Award Findings and Questioned Costs

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

PEARL RIVER COUNTY DISTRICT

7441 Hwy 11  
Carriere, MS 39426  
Telephone: 601-798-7744  
Fax: 601-798-3527

Auditee's Corrective Action Plan

As required by Section \_\_.315(c) of OMB Circular A-133, the Pearl River County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-1	<p>a. Name of Contact Persons Responsible for Corrective Action: Thomas Burleson, Director of Finance (601) 798-7744</p> <p>b. Corrective Action Planned: The district will continue to improve the reporting and accounting of the fixed assets of the district.</p> <p>c. Anticipated Completion Date: This is an on going process.</p>

