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PERRY COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2011

PERRY COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Perry County School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Perry 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 November 21, 2011, on our consideration of the Perry County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 Perry 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 Perry 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
November 21, 2011

PERRY COUNTY SCHOOL DISTRICT

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

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

The following discussion and analysis of Perry 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 \$631,250, including a prior period adjustment of \$1,324, which represents a 20% increase from fiscal year 2010. Total net assets for 2010 decreased \$1,027,070, which represents a 25% decrease from fiscal year 2009.
- General revenues amounted to \$9,295,979 and \$9,261,311, or 76% and 76% 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 \$2,920,046, or 24% of total revenues for 2011, and \$2,880,388, or 24% of total revenues for 2010.
- The District had \$11,586,099 and \$13,168,769 in expenses for fiscal years 2011 and 2010; only \$2,920,046 for 2011 and \$2,880,388 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,295,979 for 2011 were adequate to provide for these programs. However, general revenues of \$9,261,311 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,493,306 in revenues and \$7,595,389 in expenditures for 2011, and \$8,418,168 in revenues and \$7,733,933 in expenditures in 2010. The General Fund's fund balance increased by \$673,127, including a prior period adjustment of \$1,324, from 2010 to 2011, and increased by \$261,370 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$262,419 for 2011 and decreased by \$344,919 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$557,856 for 2011 and decreased by \$317,823 for 2010. The decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$6,215 for 2011 and increased by \$23,920 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.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

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

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 may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$3,762,793 as of June 30, 2011.

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

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

**Table 1
Condensed Statement of Net Assets**

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 2,414,534	\$ 1,867,118	29.32 %
Restricted assets	532,255	762,899	(30.23) %
Capital assets, net	4,696,065	4,958,484	(5.29) %
Total assets	7,642,854	7,588,501	0.72 %
Current liabilities	66,452	91,978	(27.75) %
Long-term debt outstanding	3,813,609	4,364,980	(12.63) %
Total liabilities	3,880,061	4,456,958	(12.94) %
Net assets:			
Invested in capital assets, net of related debt	1,002,651	1,110,526	(9.71) %
Restricted	2,328,011	2,444,013	(4.75) %
Unrestricted	432,131	(422,996)	202.16 %
Total net assets	\$ 3,762,793	\$ 3,131,543	20.16 %

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

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 \$262,419.
- The principal retirement of \$557,586 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 \$12,216,025 and \$12,141,699, respectively. The total cost of all programs and services was \$11,586,099 for 2011 and \$13,168,769 for 2010.

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

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 351,225	\$ 317,003	10.80 %
Operating grants and contributions	2,568,821	2,563,385	0.21 %
General revenues:			
Property taxes	2,717,183	2,483,518	9.41 %
Grants and contributions not restricted	6,255,408	6,523,700	(4.11) %
Investment earnings	95,686	116,515	(17.88) %
Sixteenth section sources	196,060	127,721	53.51 %
Other	31,642	9,857	221.01 %
Total revenues	<u>12,216,025</u>	<u>12,141,699</u>	0.61 %
Expenses:			
Instruction	6,628,649	7,082,074	(6.40) %
Support services	4,049,371	5,120,502	(20.92) %
Non-instructional	703,144	726,634	(3.23) %
Sixteenth section	17,671	22,822	(22.57) %
Interest and other expenses on long-term liabilities	187,264	216,737	(13.60) %
Total expenses	<u>11,586,099</u>	<u>13,168,769</u>	(12.02) %
Increase (Decrease) in net assets	<u>629,926</u>	<u>(1,027,070)</u>	161.33 %
Net Assets, July 1, as originally reported	<u>3,131,543</u>	<u>4,158,613</u>	(24.70) %
Prior Period Adjustment	<u>1,324</u>	<u>-</u>	N/A %
Net Assets, July 1, as restated	<u>3,132,867</u>	<u>4,158,613</u>	(24.67) %
Net Assets, June 30	<u>\$ 3,762,793</u>	<u>\$ 3,131,543</u>	20.16 %

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

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 6,628,649	\$ 7,082,074	(6.40) %
Support services	4,049,371	5,120,502	(20.92) %
Non-instructional	703,144	726,634	(3.23) %
Sixteenth section	17,671	22,822	(22.57) %
Interest on long-term liabilities	187,264	216,737	(13.60) %
Total expenses	\$ 11,586,099	\$ 13,168,769	(12.02) %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (4,936,304)	\$ (5,408,658)	(8.73) %
Support services	(3,565,422)	(4,675,067)	(23.74) %
Non-instructional	36,726	34,516	6.40 %
Sixteenth section	(13,789)	(22,435)	(38.54) %
Interest on long-term liabilities	(187,264)	(216,737)	(13.60) %
Total net (expense) revenue	\$ (8,666,053)	\$ (10,288,381)	(15.77) %

- Net cost of governmental activities (\$8,666,053 for 2011 and \$10,288,381 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,717,183 for 2011 and \$2,483,518 for 2010) and state and federal revenues (\$6,255,408 for 2011 and \$6,523,700 for 2010). In addition, there was \$196,060 and \$127,721 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$95,686 for 2011 and \$116,515 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.

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

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 \$2,921,042, an increase of \$339,794, which includes a prior period adjustment of \$1,324 and a decrease in reserve for inventory of \$1,689. \$363,271, or 12%, 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 \$2,557,771, or 88%, 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 \$673,127, including a prior period adjustment of \$1,324. The fund balance of Other Governmental Funds showed a decrease in the amount of \$335,282, which includes a decrease in reserve for inventory of \$1,689. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
EHA Part B Fund	no increase or decrease
Sixteenth Section Principal Fund	\$ 1,949

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 federal sources in the General Fund were increased during the fiscal year to reflect an increase in E-Rate revenue and National Forest receipts.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The District received approximately \$317,000 in Budget Stabilization funds that were reported in a special revenue fund. Instructional expenditures normally incurred in the General Fund were reclassified to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures.
- Budgeted amounts for support services expenditures in the General Fund were increased during the fiscal year to reflect the purchase of a new school bus and an increase in transportation costs as well as an increase in various other support services expenditures.

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 supplemental information.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$9,310,303, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$67,050 from 2010 due primarily to the purchase of a new school bus during the fiscal year. Total accumulated depreciation as of June 30, 2011 was \$4,614,238, and total depreciation expense for the year was \$336,350, resulting in total net capital assets of \$4,696,065.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 58,108	\$ 58,108	0.00 %
Buildings	3,916,109	4,026,207	(2.73) %
Building improvements	240,203	253,778	(5.35) %
Mobile equipment	447,655	450,571	(0.65) %
Furniture and equipment	33,990	169,820	(79.98) %
Total	<u>\$ 4,696,065</u>	<u>\$ 4,958,484</u>	(5.29) %

Debt Administration. At June 30, 2011, the District had \$3,813,609 in outstanding long-term debt, of which \$327,010 is due within one year. During the fiscal year the District made principal payments in the amount of \$557,586, which included the retirement of the qualified zone academy bonds payable in the amount of \$300,000. The liability for compensated absences increased \$6,215 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	\$ 157,000	\$ 206,000	(23.79) %
Limited obligation bonds payable	1,380,000	1,495,000	(7.69) %
Three mill notes payable	2,156,414	2,250,000	(4.16) %
Qualified zone academy bonds payable	-	300,000	(100.00) %
Compensated absences payable	120,195	113,980	5.45 %
Total	<u>\$ 3,813,609</u>	<u>\$ 4,364,980</u>	(12.63) %

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

CURRENT ISSUES

The Perry 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, 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 any questions about this report or need additional financial information, contact the Superintendent's Office of the Perry County School District, P. O. Box 137, New Augusta, MS 39462.

PERRY COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

PERRY COUNTY SCHOOL DISTRICT

Statement of Net Assets

Exhibit A

June 30, 2011

	<u>Governmental</u>	
	<u>Activities</u>	
Assets		
Cash and cash equivalents	\$	1,832,941
Investments		81,920
Due from other governments		477,049
Inventories		22,624
Restricted assets		532,255
Capital assets, not being depreciated		
Land		58,108
Capital assets, net of accumulated depreciation		
Buildings		3,916,109
Building improvements		240,203
Mobile equipment		447,655
Furniture and equipment		33,990
Total Assets		<u>7,642,854</u>
Liabilities		
Accounts payable and accrued liabilities		23,844
Unearned revenue		1,903
Interest payable on long-term liabilities		40,705
Long-term liabilities, due within one year		
Capital-related liabilities		321,000
Non-capital related liabilities		6,010
Long-term liabilities, due beyond one year		
Capital-related liabilities		3,372,414
Non-capital related liabilities		114,185
Total Liabilities		<u>3,880,061</u>
Net Assets		
Invested in capital assets, net of related debt		1,002,651
Restricted for:		
Expendable:		
School-based activities		672,705
Debt service		224,625
Forestry improvements		75,489
Unemployment benefits		31,611
Non-expendable:		
Sixteenth section		1,323,581
Unrestricted		432,131
Total Net Assets	\$	<u>3,762,793</u>

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

PERRY COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

Exhibit B

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:					Governmental Activities
Instruction	\$ 6,628,649	\$ 176,116	\$ 1,516,229	\$ -	\$ (4,936,304)
Support services	4,049,371	34,400	449,549	-	(3,565,422)
Non-instructional services	703,144	136,827	603,043	-	36,726
Sixteenth section	17,671	3,882	-	-	(13,789)
Interest on long-term liabilities	187,264	-	-	-	(187,264)
Total Governmental Activities	<u>\$ 11,586,099</u>	<u>\$ 351,225</u>	<u>\$ 2,568,821</u>	<u>\$ -</u>	<u>(8,666,053)</u>
General Revenues:					
Taxes:					
General purpose levies					2,507,152
Debt purpose levies					210,031
Unrestricted grants and contributions:					
State					5,198,930
Federal					1,056,478
Unrestricted investment earnings					95,686
Sixteenth section sources					196,060
Other					31,642
Total General Revenues					<u>9,295,979</u>
Change in Net Assets					<u>629,926</u>
Net Assets - Beginning, as originally reported					3,131,543
Prior Period Adjustment					<u>1,324</u>
Net Assets - Beginning - Restated					<u>3,132,867</u>
Net Assets - Ending					<u>\$ 3,762,793</u>

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

PERRY COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	EHA Part B Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 1,190,207	\$ -	\$ 447,780	\$ 642,734	\$ 2,280,721
Cash with fiscal agent	-	-	-	83,866	83,866
Investments	-	-	609	81,920	82,529
Due from other governments	98,367	164,300	-	210,536	473,203
Due from other funds	259,086	-	-	-	259,086
Advances to other funds	-	-	988,153	-	988,153
Inventories	-	-	-	22,624	22,624
Total Assets	\$ 1,547,660	\$ 164,300	\$ 1,436,542	\$ 1,041,680	\$ 4,190,182
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,181	\$ -	\$ -	\$ 16,663	\$ 23,844
Due to other funds	-	164,300	-	90,940	255,240
Advances from other funds	988,153	-	-	-	988,153
Unearned revenue	-	-	-	1,903	1,903
Total Liabilities	995,334	164,300	-	109,506	1,269,140
Fund balances:					
Nonspendable:					
Inventory	-	-	-	22,624	22,624
Permanent fund principal	-	-	335,428	-	335,428
Advances	-	-	988,153	-	988,153
Restricted:					
Debt service	-	-	-	265,330	265,330
Forestry improvement purposes	-	-	-	75,489	75,489
Unemployment benefits	-	-	-	31,611	31,611
Other commitments	-	-	112,961	537,070	650,031
Assigned:					
Other purposes	189,055	-	-	50	189,105
Unassigned					
	363,271	-	-	-	363,271
Total Fund Balances	552,326	-	1,436,542	932,174	2,921,042
Total Liabilities & Fund Balances	\$ 1,547,660	\$ 164,300	\$ 1,436,542	\$ 1,041,680	\$ 4,190,182

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

PERRY COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

Total fund balances for governmental funds \$ 2,921,042 ✓

Amounts reported for governmental activities in the Statement of Net Assets are different because:

1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds:

Land	\$ 58,108	
Buildings	6,374,283	
Building Improvements	339,372	
Mobile equipment	1,772,795	
Furniture and equipment	765,745	
Accumulated Depreciation	<u>(4,614,238)</u>	4,696,065 ✓

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	(157,000)	
Limited obligation bonds	(1,380,000)	
Notes payable	(2,156,414)	
Compensated absences	(120,195)	
Accrued interest payable	<u>(40,705)</u>	(3,854,314)

Net assets of governmental activities \$ 3,762,793 ✓

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

PERRY COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and changes in Fund Balances
For the Year Ended June 30, 2011

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EHA Part B Fund	Sixteenth Section Principal Fund		
Revenues:					
Local sources	\$ 2,750,350	\$ -	\$ -	\$ 359,942	\$ 3,110,292
State sources	5,002,631	-	-	650,667	5,653,298
Federal sources	740,325	233,953	-	2,196,653	3,170,931
Sixteenth section sources	-	-	43,104	201,626	244,730
Total Revenues	8,493,306	233,953	43,104	3,408,888	12,179,251
Expenditures:					
Instruction	4,313,538	99,087	-	2,083,869	6,496,494
Support services	3,237,712	134,866	-	542,390	3,914,968
Non-instructional services	-	-	-	699,379	699,379
Sixteenth section	-	-	-	17,671	17,671
Debt Service:					
Principal	-	-	-	557,586	557,586
Interest	44,139	-	-	144,629	188,768
Other	-	-	-	1,000	1,000
Total Expenditures	7,595,389	233,953	-	4,046,524	11,875,866
Excess (Deficiency) of Revenues over (under) Expenditures	897,917	-	43,104	(637,636)	303,385
Other Financing Sources (Uses):					
Insurance recovery	34,400	-	-	-	34,400
Payments held by escrow agent	-	-	-	8,502	8,502
Payment to Qualified Zone Academy debt escrow agent	-	-	-	(8,502)	(8,502)
Sale of transportation equipment	2,374	-	-	-	2,374
Operating transfers in	413,789	-	-	721,418	1,135,207
Operating transfers out	(676,677)	-	(41,155)	(417,375)	(1,135,207)
Total Other Financing Sources (Uses)	(226,114)	-	(41,155)	304,043	36,774
Net change in fund balances	671,803	-	1,949	(333,593)	340,159
Fund Balances:					
July 1, 2010, as originally reported	(120,801)	-	1,434,593	1,267,456	2,581,248
Prior period adjustment	1,324	-	-	-	1,324
July 1, 2010, as restated	(119,477)	-	1,434,593	1,267,456	2,582,572
Increase (Decrease) in reserve for inventory	-	-	-	(1,689)	(1,689)
June 30, 2011	\$ 552,326	\$ -	\$ 1,436,542	\$ 932,174	\$ 2,921,042

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

PERRY COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 340,159

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 74,000	
Depreciation Expense	<u>(336,350)</u>	(262,350)

- In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (69)

- 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: proceeds.

Payments of debt principal	557,586	
Accrued interest payable	<u>2,504</u>	560,090

- 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	(6,215)	
Change in inventory reserve	<u>(1,689)</u>	(7,904)

Change in net assets of governmental activities \$ 629,926

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

PERRY COUNTY SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 540,470
Total Assets	<u>\$ 540,470</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 531,658
Due to other funds	3,846
Due to student clubs	<u>4,966</u>
Total Liabilities	<u>\$ 540,470</u>

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

PERRY COUNTY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For 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 was elected by the citizens of each defined county district.

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and 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.

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

EHA Part B Fund – This is a special revenue fund that accounts for federal sourced received and expenditures incurred under the IDEA Part B program.

Sixteenth Section Principal Fund – This is a permanent fund that accounts for the District’s earnings from sixteenth section property and investments which are not available for use by the district except as provided for under state statute for loans from this account.

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

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

The District’s fiduciary funds include the following:

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

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

Additionally, the school district reports the following fund types:

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

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

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

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

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

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

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For 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 are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

6. Capital Assets

Capital assets, which 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 costs. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the 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 those thresholds:

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

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

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

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

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

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

9. Fund Balances

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

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

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

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

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

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

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

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end 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 less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,280,721 and \$540,470, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$3,241,002 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agent held by financial institutions was \$83,866.

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Government National Mortgage Association II	AAA	Various	\$ 609
Federal US Treasury Cash Reserves Money Market Mutual Fund	AAA	Less than 1 year	<u>81,920</u>
Total			<u>\$ 82,529</u>

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

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

Custodial Credit Risk-Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. ✓

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal US Treasury Cash Reserves Money Market Mutual fund	<u>81,920</u>	99%
	<u>\$ 81,920</u>	

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	EHA Part B	\$ 164,300
	Fiduciary Funds	3,846
	Other Governmental Funds	<u>90,940</u>
Total		<u>\$ 259,086</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end and to show the interest that was due from the district's fiduciary funds.

B. Advances to/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal	General Fund	<u>\$ 988,153</u>
		<u>\$ 988,153</u>

Sixteenth section principal loans payable

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

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

Year Ending	Principal	Interest	Total
June 30			
2012	55,449	39,471	94,920
2013	50,990	37,308	88,298
2014	53,030	35,268	88,298
2015	55,151	33,147	88,298
2016	57,358	30,940	88,298
2017-2021	323,288	118,700	441,988
2022-2026	<u>392,887</u>	<u>60,205</u>	<u>453,092</u>
	<u>\$ 988,153</u>	<u>\$ 355,039</u>	<u>\$ 1,343,192</u>

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

C. Inter-fund Transfers

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 676,677
Sixteenth Section Principal Fund	Other Governmental Funds	41,155
Other Governmental Funds	General Fund	413,789
	Other Governmental Funds	<u>3,586</u>
Total		<u>\$1,135,207</u>

The transfers were primarily for the following: indirect cost transfers, vocational and special educational expenditure transfers, debt service transfers, unemployment transfers and the transfer of expendable resources from the sixteenth section interest fund.

Note 4 - Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$447,780, and \$609, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition the restricted assets represent the cash with fiscal agent balance totaling \$83,866, of the MAEP Limited Obligation Bond Fund.

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 58,108	\$ -	\$ -	\$ 58,108
Total non-depreciable capital assets	<u>58,108</u>	<u>-</u>	<u>-</u>	<u>58,108</u>
<u>Depreciable capital assets:</u>				
Buildings	6,374,283	-	-	6,374,283
Building improvements	339,372	-	-	339,372
Mobile equipment	1,704,295	68,500	-	1,772,795
Furniture and equipment	767,195	5,500	6,950	765,745
Total depreciable capital assets	<u>9,185,145</u>	<u>74,000</u>	<u>6,950</u>	<u>9,252,195</u>
<u>Less accumulated depreciation:</u>				
Buildings	2,348,076	110,098	-	2,458,174
Improvements other than buildings	85,594	13,575	-	99,169
Mobile equipment	1,253,724	71,416	-	1,325,140
Furniture and equipment	597,375	141,261	6,881	731,755
Total accumulated depreciation	<u>4,284,769</u>	<u>336,350</u>	<u>6,881</u>	<u>4,614,238</u>
Total depreciable capital assets, net	<u>4,900,376</u>	<u>(262,350)</u>	<u>69</u>	<u>4,637,957</u>
Governmental activities capital assets, net	<u>\$ 4,958,484</u>	<u>\$ (262,350)</u>	<u>\$ 69</u>	<u>\$ 4,696,065</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 127,805
Support Services	206,780
Non-instructional	1,765
	<u>\$ 336,350</u>

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 6 – Long-term Liabilities

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

	<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Amount Due</u> <u>Within One Year</u>
A. General obligation bonds payable	\$ 206,000	\$ -	\$ 49,000	\$ 157,000	\$ 51,000
B. Limited obligation bonds payable	1,495,000	-	115,000	1,380,000	165,000
C. Three mill notes payable	2,250,000	-	93,586	2,156,414	105,000
D. Qualified zone academy bonds payable	300,000	-	300,000	-	-
E. Compensated absences payable	113,980	6,215	-	120,195	6,010
Total	<u>\$4,364,980</u>	<u>\$ 6,215</u>	<u>\$ 557,586</u>	<u>\$ 3,813,609</u>	<u>\$ 327,010</u>

A. General obligation bonds payable

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
General obligation bonds, Series 2004	3.17%	5/27/2004	12/1/2013	<u>464,000</u>	<u>157,000</u>
Total				<u>\$ 464,000</u>	<u>\$ 157,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	51,000	4,169	55,169
2013	53,000	2,520	55,520
2014	<u>53,000</u>	<u>840</u>	<u>53,840</u>
	<u>\$ 157,000</u>	<u>\$ 7,529</u>	<u>\$ 164,529</u>

The general obligation bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds ("EEF Funds"), Section 37-61-33, Miss. Code Ann. (1972). Pledged EEF funds will be used to pay the annual debt service payment until the final maturity of the general obligation bonds on December 1, 2013. This debt will be retired from the EEF Buildings and Buses Fund.

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

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 of 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 less than 1% 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. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 2009	3.0-4.0%	7/28/2009	2/1/2018	1,495,000	1,380,000
Total				<u>\$ 1,495,000</u>	<u>\$ 1,380,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	165,000	44,450	209,450
2013	170,000	39,500	209,500
2014	175,000	34,400	209,400
2015	185,000	29,150	214,150
2016	190,000	23,600	213,600
2017-2018	495,000	32,200	527,200
	<u>\$ 1,380,000</u>	<u>\$ 203,300</u>	<u>\$ 1,583,300</u>

This debt will be retired from the MAEP Retirement Fund.

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

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For 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
Three mill note, Series 2008	4.12%	4/1/2008	4/1/2025	\$ 2,250,000	\$ 2,156,414
Total				\$ 2,250,000	\$ 2,156,414

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

Year Ending June 30	Principal	Interest	Total
2012	105,000	88,992	193,992
2013	110,000	84,666	194,666
2014	160,000	80,134	240,134
2015	140,000	73,542	213,542
2016	145,000	67,774	212,774
2017-2021	820,000	243,904	1,063,904
2022-2025	676,414	69,216	745,630
	<u>\$ 2,156,414</u>	<u>\$ 708,228</u>	<u>\$ 2,864,642</u>

This debt will be retired from the Three Mill Note Retirement Fund. The three-mill note payable, Series 2008 is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Education Enhancement Fund ("EEF Funds"), Section 37-61-33, Miss. Code Ann. (1972). The EEF funds pledge is to pay debt service on the notes to the extent the EEF funds are not required to pay debt service on the District's Series 2004 General Obligation Bonds.

D. Qualified zone academy bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds, Series 2001	0.00%	6/1/2001	5/15/2011	300,000	-
Total				\$ 300,000	\$ -

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

E. Compensated absences payable

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

Note 7 – Prior Year Defeasance of Debt

In prior years, the Perry County School District defeased certain Trust Certificates by placing the proceeds of new bonds, less issuance costs, in an irrevocable trust to provide for all future debt service payments on the Trust Certificates. Accordingly, the trust account assets and liability for the defeased debt are not included in the district's financial statements. On June 30, 2011, \$157,000 of certificates outstanding is defeased.

Note 8 – Short-Term Financing

During the fiscal year ended June 30, 2011, the school district participated in the following short-term financing for the purpose of cash flow:

A. Bank-financed short term debt.

The school district issued a revenue anticipation note payable to Trustmark National Bank and the proceeds from such issuance are accounted for as a current liability in the District Maintenance fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2011 are as follows:

<u>Description</u>	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>
Tax and Revenue Anticipation Note	\$ -	300,000	300,000	\$ -
Total	<u>\$ -</u>	<u>300,000</u>	<u>300,000</u>	<u>\$ -</u>

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 9 – Other Commitments

Operating leases:

The School district has several operating leases for the following:

1. 2 IM 4512 Digital Copiers
2. LD 245 Digital Copier
3. LD090 AG Copier
4. Canon 3035 Copier
5. Canon 3035/DADF/Duplexer

Lease expenditures for the year ended June 30, 2011, amounted to \$17,217. Future lease payments for this lease are as follows:

Year Ending June 30	Total
2012	6,521
2013	1,689
	<u>\$ 8,210</u>

Note 10 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$717,747, \$761,391 and \$765,748 respectively, which equaled the required contributions for each year.

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 11 – Sixteenth Section Lands

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

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2012	\$ 25,508
2013	25,193
2014	23,704
2015	2,553
2016	2,553
2017-2021	8,371
2022-2026	3,350
2027-2031	3,350
2032-2036	3,350
Thereafter	<u>6,700</u>
Total	<u>\$ 104,632</u>

Note 12 – Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To record effect of prior period audit adjustment	<u>\$ 1,324</u>
Total	<u>\$ 1,324</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To record effect of prior period audit adjustment	<u>\$ 1,324</u>
Total		<u>\$ 1,324</u>

PERRY COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 13 – 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 expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Note 14 – 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.

Note 15 – 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 from kindergarten through secondary school, in partnership with the business community. The school district in agreements with Georgia Pacific Corporation, Richton Bank and Trust and Hood, Inc., have entered into such an arrangement dated June 1, 2001. The partners from the business community agreed to provide funds or services as follows:

Georgia Pacific Corporation made cash and qualifying services and equipment in-kind contributions in the amount of \$7,100 per year for calendar years 2002-2006.

Richton Bank and Trust provided in-kind services consisting of teaching a local resources class for one year. The in-kind services amounted to \$675.

Hood Inc. made one-time cash contribution of \$10,000 in June 2001.

Participation in this program is governed by the Trust Agreement.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. This debt was retired during the fiscal year.

PERRY COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

PERRY COUNTY SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,610,657	\$ 2,750,350	\$ 2,750,350	\$ 139,693	\$ -
State sources	5,065,824	5,002,631	5,002,631	(63,193)	-
Federal sources	487,000	740,325	740,325	253,325	-
Total Revenues	8,163,481	8,493,306	8,493,306	329,825	-
Expenditures:					
Instruction	4,862,792	4,313,538	4,313,538	549,254	-
Support services	2,891,214	3,237,712	3,237,712	(346,498)	-
Debt service:					
Principal	59,729	-	-	59,729	-
Interest	41,814	44,139	44,139	(2,325)	-
Total Expenditures	7,855,549	7,595,389	7,595,389	260,160	-
Excess (Deficiency) of Revenues over (under) Expenditures	307,932	897,917	897,917	589,985	-
Other Financing Sources (Uses):					
Insurance recovery	-	34,400	34,400	34,400	-
Sale of transportation equipment	-	2,374	2,374	2,374	-
Operating transfers in	1,255,461	1,629,597	413,789	374,136	(1,215,808)
Operating transfers out	(1,658,239)	(1,892,485)	(676,677)	(234,246)	1,215,808
Total Other Financing Sources (Uses)	(402,778)	(226,114)	(226,114)	176,664	-
Net Change in Fund Balances	(94,846)	671,803	671,803	766,649	-
Fund Balances:					
July 1, 2010, as originally reported	-	(120,801)	(120,801)	(120,801)	-
Prior period adjustments	-	1,324	1,324	1,324	-
July 1, 2010, as restated	-	(119,477)	(119,477)	(119,477)	-
June 30, 2011	\$ (94,846)	\$ 552,326	\$ 552,326	\$ 647,172	\$ -

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

PERRY COUNTY SCHOOL DISTRICT
Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 277,843	\$ 233,953	\$ 233,953	\$ (43,890)	\$ -
Total Revenues	277,843	233,953	233,953	(43,890)	-
Expenditures:					
Instruction	154,512	99,087	99,087	55,425	-
Support services	102,960	134,866	134,866	(31,906)	-
Total Expenditures	257,472	233,953	233,953	23,519	-
Excess (Deficiency) of Revenues over (under) Expenditures	20,371	-	-	(20,371)	-
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	20,371	-	-	(20,371)	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ 20,371	\$ -	\$ -	\$ (20,371)	\$ -

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

PERRY COUNTY SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedules

(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 revision

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

PERRY COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

PERRY COUNTY SCHOOL DISTRICT

Supplemental Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.553	\$ 190,955
National school lunch program	10.555	463,888
Total child nutrition cluster		<u>654,843</u>
Passed through Perry County:		
Schools and roads cluster:		
Schools and roads - grants to states	10.665	<u>531,895</u>
Total U.S. Department of Agriculture		<u>1,186,738</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the universal service fund	32.XXX	<u>194,700</u>
Total Federal Communications Commission		<u>194,700</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	26,414
Safe and drug-free schools and communities - state grants	84.186	1,853
Education technology state grants	84.318	4,030
Teacher quality partnership grants	84.336	960
Reading first state grants	84.357	254,437
Rural education	84.358	715
Improving teacher quality - state grants	84.367	<u>102,580</u>
Subtotal		<u>390,989</u>
Title I cluster:		
Title I grants to local education agencies	84.010	384,552
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	<u>25,953</u>
Total Title I cluster		<u>410,505</u>
Special education cluster:		
Special education - grants to states	84.027	233,953
Special education - preschool grants	84.173	7,685
ARRA - Special education grants to states, Recovery Act	84.391	<u>171,041</u>
Total special education cluster		<u>412,679</u>
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	317,114
✓ ARRA - Education Technology state grants, Recovery Act	84.386	8,635
ARRA - Education job fund, Recovery Act	84.410	<u>236,802</u> ✓
Total passed-through Mississippi Department of Education		<u>1,776,724</u>
Total U.S. Department of Education		<u>1,776,724</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	<u>12,770</u>
Total U.S. Department of Health and Human Services		<u>12,770</u>
Total for All Federal Awards		<u>\$ 3,170,932</u>

NOTES TO SCHEDULE

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

PERRY COUNTY SCHOOL DISTRICT

Supplemental Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 8,356,345	\$ 6,422,669	\$ 321,415	\$ 758,114	\$ 854,147
Other	<u>3,519,521</u>	<u>782,963</u>	<u>187,102</u>	<u>54,868</u>	<u>2,494,588</u>
Total	<u>\$ 11,875,866</u>	<u>\$ 7,205,632</u>	<u>\$ 508,517</u>	<u>\$ 812,982</u>	<u>\$ 3,348,735</u>
Total number of students *	1,250				
Cost per student	<u>\$ 9,501</u>	<u>\$ 5,765</u>	<u>\$ 407</u>	<u>\$ 650</u>	<u>\$ 2,679</u>

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

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

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

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

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

* include the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year
include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

PERRY COUNTY SCHOOL DISTRICT

OTHER INFORMATION

PERRY COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2011	Unaudited 2010*	Unaudited 2009*	Unaudited 2008*
Revenues:				
Local sources	\$ 2,750,350	2,492,877	2,359,461	2,281,194
State sources	5,002,631	5,247,572	5,721,903	6,277,519
Federal sources	740,325	677,719	1,153,549	632,254
Total Revenues	<u>8,493,306</u>	<u>8,418,168</u>	<u>9,234,913</u>	<u>9,190,967</u>
Expenditures				
Instruction	4,313,538	4,638,008	5,067,346	5,552,436
Support services	3,237,712	3,047,925	3,755,718	3,432,855
Noninstructional services	-	2,400	720	-
Debt service				
Principal	-	-	-	65,216
Interest	44,139	45,600	48,060	33,036
Total Expenditures	<u>7,595,389</u>	<u>7,733,933</u>	<u>8,871,844</u>	<u>9,083,543</u>
Excess (Deficiency) of Revenues over Expenditures	<u>897,917</u>	<u>684,235</u>	<u>363,069</u>	<u>107,424</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	34,400	4,818	90,186	-
Sale of transportation equipment	2,374	-	-	-
Operating transfers in	413,789	262,078	246,712	331,711
Operating transfers out	(676,677)	(689,761)	(613,241)	(651,889)
Total Other Financing Sources (Uses)	<u>(226,114)</u>	<u>(422,865)</u>	<u>(276,343)</u>	<u>(320,178)</u>
Net Change in Fund Balances	<u>671,803</u>	<u>261,370</u>	<u>86,726</u>	<u>(212,754)</u>
Fund Balances				
July 1,	(120,801)	(382,171)	(474,396)	(272,792)
Prior period adjustments	1,324	-	5,499	11,150
July 1, as restated	<u>(119,477)</u>	<u>(382,171)</u>	<u>(468,897)</u>	<u>(261,642)</u>
June 30,	\$ 552,326	(120,801)	(382,171)	(474,396)

*SOURCE - PRIOR YEAR AUDIT REPORTS

PERRY COUNTY SCHOOL DISTRICT

Other Information

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

	2011	Unaudited 2010*	Unaudited 2009*	Unaudited 2008*
Revenues				
Local sources	\$ 3,110,292	2,865,218	2,774,222	2,642,280
State sources	5,653,298	5,851,273	6,342,415	6,942,617
Federal sources	3,170,931	3,235,812	3,245,726	2,879,674
Sixteenth section sources	244,730	184,578	327,242	274,739
Total Revenues	12,179,251	12,136,881	12,689,605	12,739,310
Expenditures:				
Instruction	6,496,494	6,937,525	6,852,099	7,519,915
Support services	3,914,968	4,899,173	5,212,698	4,146,613
Noninstructional services	699,379	724,839	735,215	753,764
Sixteenth section	17,671	22,822	567	159,092
Facilities acquisition and construction				
Debt service				
Principal	557,586	337,823	376,961	360,216
Interest	188,768	211,560	235,603	140,119
Debt issuance costs	-	33,155		
Other	1,000	1,799	1,050	1,057
Total Expenditures	11,875,866	13,168,696	13,414,193	13,080,776
Excess (Deficiency) of Revenues over Expenditures	303,385	(1,031,815)	(724,588)	(341,466)
Other Financing Sources (Uses)				
Proceeds of loans	-	-	-	2,250,000
Proceeds of refunding bonds	-	1,495,000	-	-
Premium on debt issuance	-	21,400	-	-
Insurance loss recoveries	34,400	4,818	90,186	-
Sale of transportation equipment	2,374	-	-	-
Operating transfers in	1,135,207	951,839	904,675	1,019,582
Payments held by escrow agents	8,502	22,000	30,000	30,000
Operating transfers out	(1,135,207)	(951,839)	(904,675)	(1,019,582)
Payment to refunded bond escrow agent	-	(1,478,032)		
Payment to QZAB debt escrow agent	(8,502)	(22,000)	(30,000)	(30,000)
Total Other Financing Sources (Uses)	36,774	43,186	90,186	2,250,000
Net Change in Fund Balances	340,159	(988,629)	(634,402)	1,908,534
Fund Balances				
July 1,	2,581,248	3,568,711	4,159,677	2,250,815
Prior period adjustments	1,324		38,178	
July 1, as restated	2,582,572	3,568,711	4,197,855	2,250,815
Increase (Decrease) in reserve for inventory	(1,689)	1,166	5,258	328
June 30,	\$ 2,921,042	2,581,248	3,568,711	4,159,677

*SOURCE - PRIOR YEAR AUDIT REPORTS

PERRY COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2011, which collectively comprise the Perry County School District's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2011-01). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management in a separate letter dated November 21, 2011, which is included in this report.

Perry County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Perry County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation 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. However, this report is a matter of public record and its distribution is not limited.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
November 21, 2011 ✓

PERRY COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Perry County School District

Compliance

We have audited Perry County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Perry County School District's major federal programs for the year ended June 30, 2011. Perry 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, Perry 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 Perry County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

to determine the auditing procedures for the purpose of expressing our opinion on Compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for 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 a 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 would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. ✓

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
November 21, 2011

PERRY COUNTY SCHOOL DISTRICT

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2011, which collectively comprise Perry County School District's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported **\$13,476** of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1 Activity Fund Accounting

Pursuant of Section 37-7-301 Mississippi Code Ann. (1972), the school board has the authority to allow an outside organization to run a school store; however, those funds must be accounted for as public funds.

In performing tests to the District's activity funds we noted that the district allowed the PTO to run the school store, and the funds were deposited into the PTO's separated bank account and not accounted for in the district's financial records.

Recommendation:

We recommend the district comply with Section 37-7-301 Mississippi Code Ann. (1972) and account for the money in general activity funds.

School District Response:

The Perry County School District has addressed and corrected this issue. The school stores run by the PTO is now treated as an activity fund and all funds go through the district into an activity fund.

Finding 2 Activity Fund Expenditures

Section 37-7-301(s) Miss. Code Ann. (1972) allows school districts to purchase items that may subsequently become the personal property of individuals. Office of the Attorney General has defined individuals in this code section as students of the school district.

In performing tests of the District's activity funds we noted that the district purchased clothing for an athletic coach.

Recommendation:

We recommend that the district comply with Section 37-7-301(s) Miss. Code Ann. (1972) as the Attorney General has defined.

School District Response:

The district will comply with Section 37-7-301(s) Miss. Code Ann. (1972).

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

The Perry County School District's responses to the findings included in this report were not audited and, accordingly we express no opinion on them.

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

King CPA, PLLC
KING CPA, PLLC
Petal, Mississippi
November 21, 2011 J

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

Federal Awards:

- | | |
|--|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | <u>UNQUALIFIED</u> |
| 5. Internal control over major programs: | |
| a. Material weakness (es) identified? | <u>NO</u> |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>NONE REPORTED</u> |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | <u>NO</u> |
| 7. Federal programs identified as major programs: | |

Child Nutrition Cluster:

School breakfast program	CFDA# <u>10.553</u>
National school lunch program	CFDA# <u>10.555</u>

Title I – grants to local education agencies	CFDA # <u>84.010</u>
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ARRA -Title I – grants to local education agencies, Recovery act	CFDA # <u>84.389</u>
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ARRA – Education job fund, Recovery Act	CFDA # <u>84.410</u>
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ARRA – State Fiscal Stabilization Fund - Education state grants Recovery Act	CFDA # <u>84.394</u>
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PERRY COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (continued)

- | | |
|---|-----------------------|
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | _____ \$300,000 _____ |
| 9. Auditee qualified as a low-risk auditee? | _____ NO _____ |
| 10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133? | _____ NO _____ |

Section 2: Financial Statement Findings

Significant Deficiency

11-1. Unauthorized Bank Accounts

Condition: During our test of cash we noted that there were two unauthorized bank accounts which were not included in the District's financial records.

Criteria: Adequate controls should be in place to ensure that only authorized bank accounts are opened in the District's federal identification number.

Cause: There were no policies, procedures, or communications to employees to ensure only authorized bank accounts were opened.

Effect: An employee opened two unauthorized bank accounts using the district's federal identification number which could cause a material misstatement or noncompliance with laws and regulations.

Recommendation: We recommend the District put into place policies and procedures for opening bank accounts and communicate that with the staff of the District.

Section 3: Federal Award Findings and Questioned Cost

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

PERRY COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding

Corrective Action Plan Details

11-1 The business manager has closed both accounts, and the district will implement policies and procedures on opening bank accounts.

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