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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Philadelphia Public School District

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

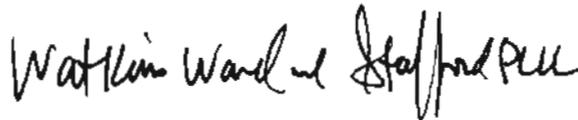
In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012, on our consideration of the Philadelphia Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
August 31, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$648,816, including a prior period adjustment of \$(2,483) which represents a 11.58% increase from fiscal year 2010. Total net assets for 2010 increased \$392,109, including a prior period adjustment of \$(21,027), which represents a 7.52% increase from fiscal year 2009.
- General revenues amounted to \$7,968,059 and \$8,036,903, or 74.31% and 75.81% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,754,196, or 25.69% of total revenues for 2011, and \$2,565,338, or 24.19% of total revenues for 2010.
- The District had \$10,070,315 and \$10,189,105 in expenses for fiscal years 2011 and 2010; only \$2,754,196 for 2011 and \$2,565,338 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,968,059 for 2011 and \$8,036,903 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,092,136 in revenues and \$6,846,260 in expenditures for 2011, and \$7,003,156 in revenues and \$7,041,933 in expenditures in 2010. The General Fund's fund balance increased by \$538,266, including a prior period adjustment of \$(2,483) from 2010 to 2011, and increased by \$89,234 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$180,433 for 2011 and decreased by \$106,069 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$170,896 for 2011 and decreased by \$134,411 for 2010. This decrease for 2011 was due to the principal payments on outstanding long-term debt, of \$345,448 net of issuance of new long-term debt of \$174,552. The liability for compensated absences increased by \$5,479 for 2011 and decreased by \$10,251 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$6,252,582 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.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 1,935,679	\$ 1,419,313	36.38 %
Restricted assets	677,958	541,813	25.13 %
Capital assets, net	8,134,003	8,314,436	(2.17) %
Total assets	10,747,640	10,275,562	4.59 %
Current liabilities	249,901	261,222	(4.33) %
Long-term debt outstanding	4,245,157	4,410,574	(3.75) %
Total liabilities	4,495,058	4,671,796	(3.78) %
Net assets:			
Invested in capital assets, net of related debt	3,918,310	3,927,847	(0.24) %
Restricted	1,034,951	894,964	15.64 %
Unrestricted	1,299,321	780,955	66.38 %
Total net assets	\$ 6,252,582	\$ 5,603,766	11.58 %

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 \$180,433.
- The principal retirement of \$345,448 of long-term debt.
- The issuance of new long-term debt of \$174,552.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$10,722,255 and \$10,602,241, respectively. The total cost of all programs and services was \$10,070,315 for 2011 and \$10,189,105 for 2010.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 280,252	\$ 233,660	19.94 %
Operating grants and contributions	2,473,944	2,331,678	6.10 %
General revenues:			
Property taxes	2,779,378	2,653,335	4.75 %
Grants and contributions not restricted	5,125,484	5,243,622	(2.25) %
Investment earnings	45,074	48,969	(7.95) %
Sixteenth section sources	8,530	59,293	(85.61) %
Other	9,593	31,684	(69.72) %
Total revenues	10,722,255	10,602,241	1.13 %
Expenses:			
Instruction	5,734,415	6,175,242	(7.14) %
Support services	3,515,784	3,169,926	10.91 %
Non-instructional	704,896	682,022	3.35 %
Interest on long-term liabilities	115,220	161,915	(28.84) %
Total expenses	10,070,315	10,189,105	(1.17) %
Special Items	(641)		N/A
Increase in net assets	651,299	413,136	57.65 %
Net Assets, July 1, as originally reported	5,603,766	5,211,657	7.52 %
Prior Period Adjustment	(2,483)	(21,027)	(88.19) %
Net Assets, July 1, as restated *	5,601,283	5,190,630	7.91 %
Net Assets, June 30	\$ 6,252,582	\$ 5,603,766	11.58 %

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. 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.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 5,734,415	\$ 6,175,242	(7.14) %
Support services	3,515,784	3,169,926	10.91 %
Non-instructional	704,896	682,022	3.35 %
Interest on long-term liabilities	115,220	161,915	(28.84) %
Total expenses	<u>\$ 10,070,315</u>	<u>\$ 10,189,105</u>	<u>(1.17) %</u>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (4,417,230)	\$ (4,867,793)	(9.26) %
Support services	(2,810,033)	(2,631,568)	6.78 %
Non-instructional	26,364	37,509	(29.71) %
Interest on long-term liabilities	(115,220)	(161,915)	(28.84) %
Total net (expense) revenue	<u>\$ (7,316,119)</u>	<u>\$ (7,623,767)</u>	<u>(4.04) %</u>

- Net cost of governmental activities (\$7,316,119 for 2011 and \$7,623,767 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,779,378 for 2011 and \$2,653,335 for 2010) and state and federal revenues (\$5,125,484 for 2011 and \$5,243,622 for 2010). In addition, there was \$8,530 and \$59,293 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$45,074 for 2011 and \$48,969 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,395,338, an increase of \$658,483, which includes an increase in inventory of \$3,965 and a prior period adjustment of \$(2,483). \$1,319,214 or 55.07% 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 \$1,076,124 or 44.93% 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.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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 \$538,266, which includes a prior period adjustment of \$(2,483). The fund balance of Other Governmental Funds showed a decrease in the amount of \$65,572, which includes an increase in reserve for inventory of \$3,965. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
Title II-Education Tech Fund	no increase or decrease
Phil/Nesh Voc-Tech Fund	\$ 51,319
QZAB Bond Retirement Fund	\$ 134,470

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$12,655,640, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$100,293 from 2010. Total accumulated depreciation as of June 30, 2011, was \$4,521,637, and total depreciation expense for the year was \$303,737, resulting in total net capital assets of \$8,134,003.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 178,953	\$ 178,953	0.00 %
Buildings	7,417,451	7,614,248	(2.58) %
Improvements other than buildings	75,249	75,249	0.00 %
Mobile equipment	345,238	305,990	12.83 %
Furniture and equipment	117,112	139,996	(16.35) %
Total	\$ 8,134,003	\$ 8,314,436	(2.17) %

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Debt Administration. At June 30, 2011, the District had \$4,245,157 in outstanding long-term debt, of which \$419,137 is due within one year. The liability for compensated absences increased \$5,479 from the prior year. Also, the district issued shortfall notes in the amount of \$174,552.

The District maintains an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,365,000	\$ 1,530,000	(10.78) %
Limited obligation bonds payable	1,230,000	1,365,000	(9.89) %
Certificates of participation payable	164,000	191,000	(14.14) %
Qualified zone academy bonds payable	1,200,000	1,200,000	0.00 %
Shortfall notes payable	174,552		N/A %
Other loans payable	82,141	100,589	(18.34) %
Compensated absences payable	29,464	23,985	22.84 %
Total	<u>\$ 4,245,157</u>	<u>\$ 4,410,574</u>	<u>(3.75) %</u>

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

CURRENT ISSUES

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

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

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

Enrollment for the 2010-2011 year increased by 1.2% to 1,101 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Philadelphia Public School District, 248 Byrd Avenue, Philadelphia, Mississippi 39350.

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FINANCIAL STATEMENTS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,371,781
Due from other governments	551,294
Other receivables, net	323
Inventories	12,281
Restricted assets	677,958
Capital assets, non-depreciable:	
Land	178,953
Capital assets, net of accumulated depreciation:	
Buildings	7,417,451
Improvements other than buildings	75,249
Mobile equipment	345,238
Furniture and equipment	117,112
Total Assets	<u>10,747,640</u>
Liabilities	
Accounts payable and accrued liabilities	210,404
Unearned revenue	7,895
Interest payable on long-term liabilities	31,602
Long-term liabilities, due within one year:	
Capital related liabilities	419,137
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,796,556
Non-capital related liabilities	29,464
Total Liabilities	<u>4,495,058</u>
Net Assets	
Invested in capital assets, net of related debt	3,918,310
Restricted for:	
Expendable:	
School-based activities	202,938
Debt service	806,999
Unemployment benefits	25,014
Unrestricted	1,299,321
Total Net Assets	<u>\$ 6,252,582</u>

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:			Capital Grants and Contributions	Governmental Activities
Instruction	\$ 5,734,415	\$ 153,302	\$ 1,163,883	\$ (4,417,230)
Support services	3,515,784		705,751	(2,810,033)
Non-Instructional	704,896	126,950	604,310	26,364
Interest on long-term liabilities	115,220			(115,220)
Total Governmental Activities	\$ 10,070,315	\$ 280,252	\$ 2,473,944	\$ (7,316,119)

General Revenues:

Taxes:	
General purpose levies	2,445,235
Debt purpose levies	334,143
Unrestricted grants and contributions:	
State	4,749,046
Federal	376,438
Unrestricted investment earnings	45,074
Sixteenth section sources	8,530
Other	9,593
Total General Revenues	7,968,059
Special Items	(641)
Total General Revenues and Special Items	7,967,418
Change in Net Assets	651,299
Net Assets - Beginning	5,603,766
Prior Period Adjustment	(2,483)
Net Assets - Beginning - Restated	5,601,283
Net Assets - Ending	\$ 6,252,582

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

Exhibit C

Balance Sheet
June 30, 2011

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title II-Education Tech Fund	Phil/Nesh Voc-Tech Fund	QZAB Bond Retirement Fund	Other Governmental Funds		
Assets								
Cash and cash equivalents	\$ 952,948	\$ 1,123	\$ 29,910	\$ 134,653	\$	\$ 253,147	\$ 1,371,781	
Cash with fiscal agents				1,181			1,181	
Investments				597,365		79,412	676,777	
Due from other governments	193,437	147,638	31,239			178,980	551,294	
Other receivables, net	323						323	
Due from other funds	278,989					729	279,718	
Inventories						12,281	12,281	
Total assets	\$ 1,425,697	\$ 148,761	\$ 61,149	\$ 134,653	\$ 598,546	\$ 524,549	\$ 2,893,355	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 55,837	\$ 1,123	\$ 29,910	\$ 69,730	\$	\$ 27,879	\$ 184,479	
Due to other funds	729	147,638	31,239			100,112	279,718	
Construction contracts payable	21,375						21,375	
Retainage payable	4,550						4,550	
Unearned revenue						7,895	7,895	
Total Liabilities	82,491	148,761	61,149	69,730		135,886	498,017	
Fund Balances:								
Nonspendable:								
Inventory						12,281	12,281	
Restricted:								
Debt service								
Unemployment benefits					598,546	240,055	838,601	
Other purposes						25,014	25,014	
Assigned:								
Other purposes	23,992			64,923		16,031	104,946	
Unassigned	1,319,214						1,319,214	
Total Fund Balances	1,343,206			64,923	598,546	388,663	2,395,338	
Total Liabilities and Fund Balances	\$ 1,425,697	\$ 148,761	\$ 61,149	\$ 134,653	\$ 598,546	\$ 524,549	\$ 2,893,355	

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

PHILADELPHIA PUBLIC 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 \$ 2,395,338

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

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

Land	\$	178,953	
Buildings		10,633,001	
Improvements other than buildings		400,627	
Mobile equipment		981,819	
Furniture and equipment		461,240	
Accumulated depreciation		<u>(4,521,637)</u>	8,134,003

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:

Notes payable		(4,215,693)	
Compensated absences		(29,464)	
Accrued interest payable		<u>(31,602)</u>	(4,276,759)

Net assets of governmental activities \$ 6,252,582

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

Exhibit D

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

	General Fund	Major Funds				Other Governmental Funds	Total Governmental Funds
		Title I Fund	Title II-Education Tech Fund	Phil/Nesh Voc-Tech Fund	QZAB Bond Retirement Fund		
Revenues:							
Local sources	\$ 2,428,306	\$	\$	190,778	\$ 28,149	\$ 467,240	\$ 3,114,473
State sources	4,595,796					317,923	4,913,719
Federal sources	68,034	648,735	219,114			1,749,825	2,685,708
Sixteenth section sources						9,133	9,133
Total Revenues	7,092,136	648,735	219,114	190,778	28,149	2,544,121	10,723,033
Expenditures:							
Instruction	3,956,644	494,082	147,327	139,459		788,272	5,525,784
Support services	2,866,826	141,411	71,787			463,688	3,543,712
Noninstructional services						708,148	708,148
Debt service:							
Principal	18,448					327,000	345,448
Interest	4,342					113,661	118,003
Other						2,566	2,566
Total Expenditures	6,846,260	635,493	219,114	139,459	0	2,403,335	10,243,661
Excess (Deficiency) of Revenues over (under) Expenditures	245,876	13,242		51,319	28,149	140,786	479,372
Other Financing Sources (Uses):							
Insurance recovery	4,498						4,498
Proceeds of loans	174,552						174,552
Payment held by QSCB debt escrow agent					107,101		107,101
Payment to QSCB debt escrow agent					(107,881)		(107,881)
Special items						(641)	(641)
Operating transfers in	133,060					17,237	257,398
Operating transfers out	(17,237)	(13,242)				(226,919)	(257,398)
Total Other Financing Sources (Uses)	294,873	(13,242)		0	106,321	(210,323)	177,629
Net Change in Fund Balances	540,749			51,319	134,470	(69,537)	657,001
Fund Balances:							
July 1, 2010, as originally reported	804,940			13,604	464,076	454,235	1,736,855
Prior period adjustment	(2,483)						(2,483)
July 1, 2010, restated	802,457			13,604	464,076	454,235	1,734,372
(Decrease) in reserve for inventory						3,965	3,965
June 30, 2011	\$ 1,343,206	\$	\$	64,923	\$ 598,546	\$ 388,663	\$ 2,395,338

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 657,001

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

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

Capital outlay	\$ 123,536	
Fixed assets deleted, net	(232)	
Depreciation expense	<u>(303,737)</u>	(180,433)

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(174,552)	
Payments of debt principal	345,448	
Accrued interest payable	<u>5,349</u>	176,245

3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(5,479)	
Change in inventory reserve	<u>3,965</u>	(1,514)

Change in net assets of governmental activities \$ 651,299

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2011

	Agency Funds
	<u> </u>
Assets	
Cash and cash equivalents	\$ 365,440
Other receivables	653
Total Assets	<u>\$ 366,093</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 331,763
Due to student clubs	33,539
Other payables	791
Total Liabilities	<u>\$ 366,093</u>

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

PHILADELPHIA PUBLIC 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Philadelphia since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

C. Government-wide and Fund Financial Statements

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local education agencies programs.

Title II-Education Tech Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title II grants to local education agencies programs.

Phil/Nesh Voc-Tech Fund - This fund accounts for the vocational revenues and expenditures.

QZAB Bond Retirement Fund - This fund accounts for the QZAB bond revenue and expenditures.

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 is the District's clearing fund used for payments of payroll and benefits.

Club Fund - This is the District's activity fund to record assets and liabilities of the District's various student clubs.

Accounts Payable Clearing Fund - This is the District's clearing fund used to pay claims of the District

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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.

FIDUCIARY FUNDS

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

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

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

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

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

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

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

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

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

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.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

Depreciation is calculated on the straight-line basis for all assets, except land.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for the District.

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

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

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,371,781 and \$ 365,540, 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 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,181.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Federated US Treasury Cash Reserve	AAAm	less than one year	\$ 79,412
Municipal Bond	not rated	less than one year	1
FHLB	not rated	less than one year	597,364
Total			<u>\$ 676,777</u>

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

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

SCHOOL DISTRICT

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

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. Disclosure 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:

Issuer	Fair Value	% of Total Investments
Federated US Treasury Cash Reserve	\$ 79,412	12%
Municipal Bond	1	-
FHLB	597,364	88%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I	\$ 147,638
	Title II	31,239
	Other governmental funds	100,112
Other governmental funds	General Fund	729
Total		<u>\$ 279,718</u>

The purpose of the interfund receivables and payables is to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 17,237
Title I	General Fund	13,242
Other governmental funds	General Fund	119,818
Other governmental funds	QZAB Debt Service Fund	107,101
Total		<u>\$ 257,398</u>

The purpose of the interfund transfers is to transfer federal program indirect cost to the General Fund and to close-out federal program funds at year end. A transfer was made from an other governmental funds to QZAB Debt Service Fund to make note payment.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$1,181 and \$597,365, respectively, of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the investment balance, totaling \$79,412, of the MAEP Limited Obligation/Note Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 178,953			178,953
Total non-depreciable capital assets	178,953			178,953
<u>Depreciable capital assets:</u>				
Buildings	10,633,001			10,633,001
Improvements other than buildings	400,627			400,627
Mobile equipment	889,218	92,601		981,819
Furniture and equipment	453,548	30,935	23,243	461,240
Total depreciable capital assets	12,376,394	123,536	23,243	12,476,687
<u>Less accumulated depreciation for:</u>				
Buildings	3,018,753	196,797		3,215,550
Improvements other than buildings	325,378			325,378
Mobile equipment	583,228	53,353		636,581
Furniture and equipment	313,552	53,587	23,011	344,128
Total accumulated depreciation	4,240,911	303,737	23,011	4,521,637
Total depreciable capital assets, net	8,135,483	(180,201)	232	7,955,050
Governmental activities capital assets, net	\$ 8,314,436	\$ (180,201)	\$ 232	\$ 8,134,003

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 206,955
Support services	76,531
Non-instructional	20,251
Total depreciation expense - Governmental activities	\$ 303,737

PHILADELPHIA PUBLIC 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:

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	\$ 1,530,000	\$	\$ 165,000	\$ 1,365,000	\$ 175,000
B. Limited obligation bonds payable	1,365,000		135,000	1,230,000	140,000
C. Certificates of participation payable	191,000		27,000	164,000	29,000
D. Qualified zone academy bonds payable	1,200,000			1,200,000	
E. Other loans payable	100,589		18,448	82,141	19,230
F. Shortfall notes payable		174,552		174,552	55,907
G. Compensated absences payable	23,985	5,479		29,464	
Total	\$ 4,410,574	\$ 180,031	\$ 345,448	\$ 4,245,157	\$ 419,137

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.375- 6.25%	6/1/1998	6/1/2018	\$ 3,000,000	\$ 1,365,000
				\$ 3,000,000	\$ 1,365,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 175,000	\$ 64,283	\$ 239,283
2013	185,000	56,057	241,057
2014	195,000	47,270	242,270
2015	205,000	38,007	243,007
2016	215,000	28,270	243,270
2017 – 2018	390,000	25,755	415,755
Total	\$ 1,365,000	\$ 259,642	\$ 1,624,642

This debt will be retired from the Debt Service General Obligation Bond Fund.

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

June 30, 2011, the amount of outstanding bonded indebtedness was equal to 2.60% 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 bond currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds Series 2009	1.00 - 3.80%	7/15/2009	2/1/2018	\$ 1,465,000	\$ 1,230,000
				<u>\$ 1,465,000</u>	<u>\$ 1,230,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 140,000	\$ 33,725	\$ 173,725
2013	145,000	31,225	176,225
2014	150,000	27,900	177,900
2015	150,000	24,000	174,000
2016	155,000	19,650	174,650
2017 – 2018	490,000	23,842	513,842
Total	<u>\$ 1,230,000</u>	<u>\$ 160,342</u>	<u>\$ 1,390,342</u>

This debt will be retired from the Debt Service General Obligation Bond Fund.

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

C. Certificates of participation payable

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Philadelphia Public School District trust certificates	6 - 6.75%	9/1/1995	9/1/2015	\$ 433,000	\$ 164,000
Total				<u>\$ 433,000</u>	<u>\$ 164,000</u>

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 29,000	\$ 9,980	\$ 38,980
2013	30,000	8,062	38,062
2014	33,000	5,974	38,974
2015	35,000	3,679	38,679
2016	37,000	1,249	38,249
Total	\$ 164,000	\$ 28,944	\$ 192,944

This debt will be retired from the Debt Service Certificates of Participation Fund.

D. Qualified zone academy bonds payable

As more fully explained in Note 12, 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	0.00%	12/29/2005	12/29/2015	\$ 1,200,000	\$ 1,200,000
Total				\$ 1,200,000	\$ 1,200,000

E. Other loans payable

The school district has issued debt instruments granted under the authority of Section 37-59-101, Miss. Code Ann. (1972).

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Commercial Bank Loan	4.25%	9/16/2009	9/15/2014	\$ 100,589	\$ 82,141
Total				\$ 100,589	\$ 82,141

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 19,230	\$ 3,561	\$ 22,791
2013	20,064	2,726	22,790
2014	20,934	1,857	22,791
2015	21,913	952	22,865
Total	\$ 82,141	\$ 9,096	\$ 91,237

This debt will be retired from the District Maintenance Fund.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

F. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Commercial Bank	3.95%	9/1/2010	9/1/2013	\$ 174,552	\$ 174,552
Total				<u>\$ 174,552</u>	<u>\$ 174,552</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 55,907	\$ 6,933	\$ 62,840
2013	58,155	4,685	62,840
2014	60,490	2,350	62,840
Total	<u>\$ 174,552</u>	<u>\$ 13,968</u>	<u>\$ 188,520</u>

G. Compensated absences payable

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

Note 7 - Other Commitments

Commitments under re-roofing and renovation contracts amount to \$83,252.

Operating leases:

The school district has several operating leases for the following:

1. Postage Meter
2. Driver's Ed car
3. Savin Copiers

Lease expenditures for the year ended June 30, 2011, amounted to \$39,511.

Future lease payments for these leases are as follows:

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

Year Ending June 30	Amount
2012	\$ 6,577
2013	4,231
2014	1,947
Total	<u>\$ 12,755</u>

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$626,519, \$674,211, and \$652,674, respectively, which equaled the required contributions for each year.

Note 9 – Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Receivable was overstated in prior year	\$ (2,483)
Total	<u>\$ (2,483)</u>

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

Fund	Explanation	Amount
General Fund	receivable was overstated in prior year	\$ (2,483)
Total		<u>\$ (2,483)</u>

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – 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 agreement with W.G. Yates Construction, Inc., Turner Engineering Services, Barnett Mechanical and Electrical Contractors, Inc., and Wenzel and Associates, P.A. has entered into such an agreement dated December 29, 2005.

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 March 1. The amount on deposit at June 30, 2011 was \$ 598,546. The debt repayment shall be made from a 3 mill tax levy. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

Year Ending June 30	Amount
2012	\$ 106,321
2013	106,321
2014	106,321
2015	106,321
2016	106,321
Total	<u>\$ 531,605</u>

Note 13 – Trust Certificates

A trust agreement dated September 1, 1995, was executed by and between the school district and The Citizens Bank of Philadelphia, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$433,000. Approximately \$418,328 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$14,672 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 14 – Alternative School Consortium

The school District entered into an Alternative School Agreement dated March 26, 1996, creating the Alternative School Program. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Newton Municipal School District, Scott County School District, Forest Municipal School District, Neshoba County School District, Union Public School district, Philadelphia Public School District and Enterprise Municipal School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

The Newton County School District has been designated as the lead school district for the Alternative School Program and the operations of the consortium are included in its financial statement.

Note 15 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Philadelphia-Neshoba County Vocational-Technical Center. This center was created pursuant to the provisions of Section 37-13-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the East Central Community College, Neshoba County School District and Philadelphia Public School District.

Section 37-13-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational educational center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detailed procedures for student admission and transportation services for those students.

The East Central Community College has been designated as the fiscal agent for the Philadelphia-Neshoba County Vocational-Technical Center, and the operations of the consortium are included in the financial statements.

Note 16 - Insurance loss recoveries

The Philadelphia Public School District received \$4,498 in insurance loss recoveries related to vehicle damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated to the support services expense function.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Philadelphia Public School District evaluated the activity of the district through August 31, 2012, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On May 1, 2012, the school district issued Limited-Tax Note, Series 2012 in the amount of \$600,000 with an interest rate of 2.14%. This note is being issued to raise money for the purpose of paying the costs of acquiring, improving, constructing, renovating, repairing, heating, cooling and equipping school buildings and related facilities, performing site work therefor, purchasing school buses and transportation equipment, and paying the costs of such borrowing.

REQUIRED SUPPLEMENTAL INFORMATION

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PHILADELPHIA PUBLIC 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	\$ 3,058,711	\$ 2,445,515	\$ 2,428,306	\$ (613,196)	\$ (17,209)
State sources	4,982,208	4,603,729	4,595,796	(378,479)	(7,933)
Federal sources	72,000	68,594	68,034	(3,406)	(560)
Total Revenues	8,112,919	7,117,838	7,092,136	(995,081)	(25,702)
Expenditures:					
Instruction	4,529,149	4,062,641	3,956,644	466,508	105,997
Support services	2,974,471	3,142,649	2,866,826	(168,178)	275,823
Debt service:					
Principal	22,790	18,468	18,448	4,322	20
Interest		4,342	4,342	(4,342)	
Total Expenditures	7,526,410	7,228,100	6,846,260	298,310	381,840
Excess (Deficiency) of Revenues over (under) Expenditures	586,509	(110,262)	245,876	(696,771)	356,138
Other Financing Sources (Uses):					
Insurance recovery	1,500	4,498	4,498	2,998	
Proceeds of refunding bonds		8,474		8,474	(8,474)
Proceeds of loans		174,552	174,552	174,552	
Operating transfers in	223,218	216,449	133,060	(6,769)	(83,389)
Operating transfers out	(152,135)	(95,275)	(17,237)	56,860	78,038
Total Other Financing Sources (Uses)	72,583	308,698	294,873	236,115	(13,825)
Net Change in Fund Balances	659,092	198,436	540,749	(460,656)	342,313
Fund Balances:					
July 1, 2010, as originally reported	520,500	804,940	804,940	284,440	
Prior period adjustment		(2,483)	(2,483)	(2,483)	
July 1, 2010, restated	520,500	802,457	802,457	281,957	
June 30, 2011	\$ 1,179,592	\$ 1,000,893	\$ 1,343,206	\$ (178,699)	342,313

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

Title I 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	\$ 788,619	\$ 845,738	\$ 648,735	\$ 57,119	\$ (197,003)
Total Revenues	788,619	845,738	648,735	57,119	(197,003)
Expenditures:					
Instruction	512,676	599,890	494,082	(87,214)	105,808
Support services	206,306	208,350	141,411	(2,044)	66,939
Noninstructional services		8,200		(8,200)	8,200
Total Expenditures	718,982	816,440	635,493	(97,458)	180,947
Excess (Deficiency) of Revenues over (under) Expenditures	69,637	29,298	13,242	(40,339)	16,056
Other Financing Sources (Uses):					
Operating transfers out	(29,298)	(29,298)	(13,242)		(16,056)
Total Other Financing Sources (Uses)	(29,298)	(29,298)	(13,242)		(16,056)
Net Change in Fund Balances	40,339			(40,339)	
Fund Balances:					
July 1, 2010					
June 30, 2011	40,339			(40,339)	

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Title II - Education Tech 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	\$ 182,782	404,252	219,114	221,470	(185,138)
Total Revenues	182,782	404,252	219,114	221,470	(185,138)
Expenditures:					
Instruction		289,792	147,327	(289,792)	142,465
Support services	182,782	114,460	71,787	68,322	42,673
Total Expenditures	182,782	404,252	219,114	(221,470)	185,138
Excess (Deficiency) of Revenues over (under) Expenditures					
Other Financing Sources (Uses):					
Operating transfers out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances					
Fund Balances:					
July 1, 2010					
June 30, 2011					

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplemental Information

**Budgetary Comparison Schedule
Phil/Nesh Voc-Tech 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	150,500	190,779	190,778	40,279	(1)
Total Revenues	150,500	190,779	190,778	40,279	(1)
Expenditures:					
Instruction	150,000	139,460	139,459	10,540	1
Total Expenditures	150,000	139,460	139,459	10,540	1
Excess (Deficiency) of Revenues over (under) Expenditures	500	51,319	51,319	50,819	
Other Financing Sources (Uses):					
Operating transfers out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	500	51,319	51,319	50,819	
Fund Balances:					
July 1, 2010	13,555	13,555	13,604		(49)
June 30, 2011	\$ 14,055	64,874	64,923	50,819	(49)

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Supplemental Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 158,454
National school lunch program	10.555	473,884
Summer food service program for children	10.559	9,100
Total child nutrition cluster		<u>641,438</u>
Total passed-through Mississippi Department of Education		<u>641,438</u>
Total U.S. Department of Agriculture		<u>641,438</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	9,216
Safe and drug-free schools and communities- state grants	84.186	840
Improving Teacher Quality	84.367	53,881
ARRA - State Fiscal Stabilization Fund - Government services, Recovery Act	84.394	309,844
Rural education	84.358	30,114
Education Job Fund	84.410	55,329
Subtotal		<u>459,224</u>
Education Technology State Grants cluster:		
Education technology state grants	84.318	219,114
ARRA - Education technology state grants, Recovery Act	84.386	12,583
Total EducationTechnology State Grants cluster		<u>231,697</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	648,735
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	207,629
Total Title I cluster		<u>856,364</u>
Special education cluster:		
Special education - grants to states	84.027	291,425
Special education - preschool grants	84.173	8,125
ARRA - Special education grants to states, Recovery Act	84.391	120,699
ARRA - Special education - preschool grants	84.392	5,023
Total special education cluster		<u>425,272</u>
Total passed-through Mississippi Department of Education		<u>1,740,860</u>
Total U.S. Department of Education		<u>1,972,557</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Medical assistance program	93.778	23,528
Total passed-through Mississippi Department of Health and Human Services		<u>23,528</u>
Total U.S. Department of Health and Human Services		<u>23,528</u>
Total for All Federal Awards		<u>\$ 2,637,523</u>

NOTES TO SCHEDULE

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

PHILADELPHIA PUBLIC 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	\$ 7,185,869	5,347,274	451,791	511,412	875,392
Other	3,057,792	1,259,501	106,612	19,364	1,672,315
Total	\$ 10,243,661	6,606,775	558,403	530,776	2,547,707
Total number of students *	1,101				
Cost per student	\$ 9,304	6,001	507	482	2,314

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

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

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

OTHER INFORMATION

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,428,306	\$ 2,287,082	\$ 2,217,819	\$ 2,420,825
State sources	4,595,796	4,591,830	4,972,919	5,021,052
Federal sources	68,034	124,244	50,244	100,695
Total Revenues	7,092,136	7,003,156	7,240,982	7,542,572
Expenditures:				
Instruction	3,956,644	4,209,498	4,623,433	4,888,378
Support services	2,866,826	2,713,846	2,833,358	2,559,666
Noninstructional services			267	289
Facilities acquisition and construction		118,589		6,000
Debt service:				
Principal	18,448			
Interest	4,342			
Total Expenditures	6,846,260	7,041,933	7,457,058	7,454,333
Excess (Deficiency) of Revenues over (under) Expenditures	245,876	(38,777)	(216,076)	88,239
Other Financing Sources (Uses):				
Proceeds of loans	174,552	100,589		
Insurance recovery	4,498	1,280	5,765	5,482
Sale of transportation equipment				
Sale of other property				
Operating transfers in	133,060	78,672	45,289	60,879
Operating transfers out	(17,237)	(52,530)	(42,160)	(36,468)
Total Other Financing Sources (Uses)	294,873	128,011	8,894	29,893
Net Change in Fund Balances	540,749	89,234	(207,182)	118,132
Fund Balances:				
Beginning of period, as originally reported	804,940	715,706	922,888	822,193
Prior period adjustments	(2,483)			(17,437)
Beginning of period, as restated	802,457	715,706	922,888	804,756
End of Period	\$ 1,343,206	\$ 804,940	\$ 715,706	\$ 922,888

*SOURCE - PRIOR YEAR AUDIT REPORTS

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 3,114,473	\$ 2,966,826	\$ 2,908,125	\$ 3,077,550
State sources	4,913,719	4,961,883	5,431,971	5,392,264
Federal sources	2,685,708	2,613,419	1,791,685	1,946,640
Sixteenth section sources	9,133	60,113	9,381	6,997
Total Revenues	10,723,033	10,602,241	10,141,162	10,423,451
Expenditures:				
Instruction	5,525,784	5,972,248	5,801,081	5,957,796
Support services	3,543,712	3,198,593	3,271,576	3,081,807
Noninstructional services	708,148	655,193	652,577	699,927
Facilities acquisition and construction		118,589		6,000
Debt service:				
Principal	345,448	1,700,000	284,000	277,000
Interest	118,003	141,366	167,130	179,955
Other	2,566	23,534	2,947	2,972
Total Expenditures	10,243,661	11,809,523	10,179,311	10,205,457
Excess (Deficiency) of Revenues over (under) Expenditures	479,372	(1,207,282)	(38,149)	217,994
Other Financing Sources (Uses):				
Bonds and notes issued	174,552	1,565,589		
Insurance recovery	4,498	1,280	5,765	5,482
Payment held by QZAB debt escrow agent	107,101	106,321	107,101	107,101
Payment to QZAB debt escrow agent	(107,881)	(106,321)	(107,101)	(107,101)
Special items	(641)			
Operating transfers in	257,398	228,361	194,550	143,978
Operating transfers out	(257,398)	(228,361)	(194,550)	(143,978)
Total Other Financing Sources (Uses)	177,629	1,566,869	5,765	5,482
Net Change in Fund Balances	657,001	359,587	(32,384)	223,476
Fund Balances:				
Beginning of period, as originally reported	1,736,855	1,386,324	1,407,423	1,205,204
Prior period adjustments	(2,483)			(17,437)
Beginning of period, as restated	1,734,372	1,386,324	1,407,423	1,187,767
Increase (Decrease) in reserve for inventory	3,965	(9,056)	11,285	(3,820)
End of Period	\$ 2,395,338	\$ 1,736,855	\$ 1,386,324	\$ 1,407,423

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Philadelphia Public School District

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2011, which collectively comprise the Philadelphia Public School District's basic financial statements and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Philadelphia Public School District is responsible for establishing and maintaining effective 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 opinion 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 of 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the school district in a separate letter dated August 31, 2012.

This report is intended solely for the information and use of management, the school board, others within the entity, entities with accreditation overview, 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.

Watkins, Ward, and Stafford, PLLC
Philadelphia, Mississippi
August 31, 2012

Watkins Ward & Stafford PLLC



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

Superintendent and School Board
Philadelphia Public School District

Compliance

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

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

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

Internal Control Over Compliance

Management of the Philadelphia Public School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Philadelphia Public School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Philadelphia Public School District's internal control over compliance.

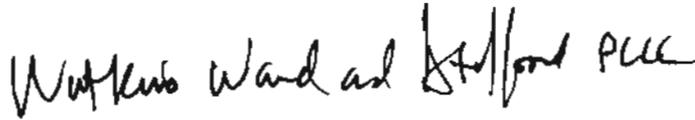
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Findings 11-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Philadelphia Public 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 Philadelphia Public School District's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, 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.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
August 31, 2012



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

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

Superintendent and School Board
Philadelphia Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2011, which collectively comprise Philadelphia Public School District's basic financial statements and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$9,481 of classroom supply funds carried over from previous years.

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

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

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

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

1. Detailed calculation and a narrative summary justifying that the accepted bid was other than the lowest bid should be placed in the board minutes

Section 31-7-13(d)(i), MS Code Ann. (1972), states that if any governing authority accepts a bid other than the lowest bid actually submitted, it shall be place on its minutes detailed calculations and a narrative summary showing the accepted bid was determined to be the lowest and best bid.

During our tests of state legal compliance, we noted one instance where the lowest bid was not accepted.

Recommendation

We recommend that the school district comply with Section 31-7-13(d)(i), MS Code Ann. (1972), and spread on its board minutes detailed calculations and a narrative summary showing the accepted bid was determined to be the lowest and best bid.

School District's Response

The school will comply with Section 31-7-13(d)(i), MS Code Ann. (1972), and spread on its board minutes detailed calculations and a narrative summary justifying why other than the lowest bid was accepted.

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

The Philadelphia Public 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 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.

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
August 31, 2012

Watkins Ward and Stafford PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. Identification of major programs: | |
| a. Special Education Cluster | |
| CFDA #84.027 | |
| CFDA #84.173 | |
| CFDA #84.391 | |
| CFDA #84.392 | |
| b. Title I Cluster | |
| CFDA #84.010 | |
| CFDA #84.389 | |
| c. ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act | |
| CFDA #84.394 | |
| d. Education Technology State Grants Cluster | |
| CFDA # 84.318 | |
| CFDA # 84.386 | |

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

11-1 Finding

Internal Controls Surrounding Title I Allowable Cost/Cost Principles Should be Strengthened

Program: Title I Grants to Local Education Agencies Cluster
CFDA #84.010, 84.389

Questioned Costs: \$13,242

Management is responsible for complying with the project application and ensuring that costs are in accordance with the budget of the project application.

During our test of Title I Cluster allocations, we noted that indirect cost was transferred but the indirect cost amount was not approved in the budget of the project application causing the district to claim \$13,242 in excess of the allowable amount.

Improper internal controls resulted in the district having unallowable cost. The district should ensure that all costs are in accordance with the budget of the project application. Improper internal controls concerning Title I cluster allocations could result in repayment of questioned costs to the Mississippi Department of Education.

Recommendation

The district should comply with the requirements of the Federal award by implementing stronger controls to ensure that all indirect costs are in accordance with the budget of the project application.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

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Philadelphia Public School District
248 Byrd Avenue
OFFICE OF THE SUPERINTENDENT
Philadelphia, Mississippi 39350
Telephone: 601-656-2955
Fax: 601-656-3141

BOARD OF TRUSTEES
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Sandra Martin, Director of Business Affairs
Belynda Adkins, Payroll Officer
Michelle Brown, Purchasing Officer
Sharon Thompson, Accounts Payable Officer
Kellie Penson, School Board / MSIS Coordinator
Sarah Hardy, Food Service Supervisor

August 29, 2012

Watkins, Ward, and Stafford PLLC
P O Box 583
Philadelphia, Mississippi 39350

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

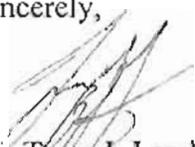
Finding
11-1

Corrective Action Plan Details

Controls should be strengthened for Title I Allowable Cost/Cost Principles

- a. Contact for Corrective Action:
Dr. Terry Larabee, Superintendent
Sandra M. Martin, Director of Business
601-656-2955
- b. The District erroneously failed to include indirect cost in the original project application. Upon discovery of this, the project application was amended to include the indirect cost in the budget. The District has copies of this amendment; however, upon audit the District discovered the State approval was not stamped on the amendment. The District believes the amendment was properly filled but the State has no proof of receiving.
- c. Corrective action is already in place.

Sincerely,


Dr. Terry J. Larabee, Superintendent

Philadelphia Public School District
248 Byrd Avenue
OFFICE OF THE SUPERINTENDENT
Philadelphia, Mississippi 39350
Telephone: 601-656-2955
Fax: 601-656-3141

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Kellie Penson, School Board / MSIS Coordinator
Sarah Hardy, Food Service Supervisor

August 31, 2012

Watkins, Ward, and Stafford PLLC
P O Box 583
Philadelphia, Mississippi 39350

As required by Section ____ .315(b) of OMB Circular A-133, the Philadelphia Public School District has prepared and hereby submits the following summary of prior audit findings as of June 30, 2011.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
10-1	Corrected

Sincerely,



Dr. Terry J. Larabee
Superintendent