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PICAYUNE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Picayune School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Picayune School District as of and for the year ended June 30, 2011, which collectively comprise the Picayune School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Picayune 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 finaneial statemcnts 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 Picayune 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 accordanee with *Government Auditing Standards*, we have also issued our report dated February 7, 2012, on our consideration of the Picayune 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 reportiug 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 eontext. 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 Picayune 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 Picayune 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 Edueation 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.

Cunningham CPAs

Cunningham CPAs, PLLC

February 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

PICAYUNE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Picayune 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 $1,100,442, including prior period adjustments of ($1,344), which represents an 8% increase from fiscal year 2010. Total net assets for 2010 decreased $1,032,852, including prior period adjustments of ($52,645), which represents a 7% decrease from fiscal year 2009.

- General revenues amounted to $24,139,551 and $24,549,376, or 68% and 75% 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 $11,344,677, or 32% of total revenues for 2011, and $8,291,953, or 25% of total revenues for 2010.

- The District had $34,382,442 and $33,821,536 in expenses for fiscal years 2011 and 2010; only $11,344,677 for 2011 and $8,291,953 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $24,139,551 for 2011 were adequate to provide for these programs and $24,549,376 for 2010 were not adequate to provide for these programs.

- Among major funds, the General Fund had $23,201,658 in revenues and $23,088,186 in expenditures for 2011, and $23,597,720 in revenues and $24,203,075 in expenditures in 2010. The General Fund's fund balance decreased by $1,216,358, from 2010 to 2011, and decreased by $1,740,850, from 2009 to 2010.

- Capital assets, net of accumulated depreciation, increased by $4,786,289 for 2011 and increased by $1,039,410 for 2010. The increase for 2011 was primarily due to construction in progress.

- Long-term debt increased by $3,170,101 for 2011 and increased $2,787,697 for 2010. This increase for 2011 was due primarily to the issuance of qualified school construction bonds net of principal payments on outstanding long-term debt. The liability for compensated absences increased by $30,222 for 2011 and decreased by $17,335 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each 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 $15,533,392 as of June 30, 2011.

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

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

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 5,370,092	$ 6,811,786	(21.16) %
Restricted assets	4,077,418	3,284,689	24.13 %
Capital assets, net	15,430,842	10,644,553	44.96 %
Total assets	**24,878,352**	**20,741,028**	**19.95 %**
Current liabilities	673,501	836,942	(19.53) %
Long-term debt outstanding	8,671,459	5,471,136	58.49 %
Total liabilities	**9,344,960**	**6,308,078**	**48.14 %**
Net assets:			
Invested in capital assets, net of related debt	10,182,662	7,758,085	31.25 %
Restricted	2,307,337	1,832,510	25.91 %
Unrestricted	3,043,393	4,842,355	(37.15) %
Total net assets	**$ 15,533,392**	**$ 14,432,950**	**7.62 %**

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

- Increase in net capital assets in the amount of $4,786,289.
- Issuing $3,000,000 in qualified school construction bonds.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $35,484,228 and $32,841,329, respectively. The total cost of all programs and services was $34,382,442 for 2011 and $33,821,536 for 2010.

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 614,918	$ 777,642	(20.93) %
Operating grants and contributions	10,729,759	7,514,311	42.79 %
General revenues:			
Property taxes	8,112,527	7,691,685	5.47 %
Grants and contributions not restricted	15,556,606	16,155,717	(3.71) %
Investment earnings	182,498	411,642	(55.67) %
Sixteenth section sources	139,234	123,265	12.96 %
Other	148,686	167,067	(11.00) %
Total revenues	**35,484,228**	**32,841,329**	**8.05 %**
Expenses:			
Instruction	18,580,420	19,259,966	(3.53) %
Support services	13,472,836	12,477,296	7.98 %
Non-instructional	2,166,270	2,004,679	8.06 %
Sixteenth section	48,379	18,199	165.83 %
Interest expense on long-term liabilities and other debt issuance costs	114,537	61,396	86.55 %
Total expenses	**34,382,442**	**33,821,536**	**1.66 %**
Increase (Decrease) in net assets	**1,101,786**	**(980,207)**	**(212.40) %**
Net Assets, July 1, as originally reported	**14,432,950**	**15,465,802**	**(6.68) %**
Prior period adjustments	**(1,344)**	**(52,645)**	**(97.45) %**
Net Assets, July 1, as restated	**14,431,606**	**15,413,157**	**(6.37) %**
Net Assets, June 30,	**$ 15,533,392**	**$ 14,432,950**	**7.62 %**

Governmental activities

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

Table 3
Net Cost of Governmental Aetivities

	Total Expenses		Percentagc
	2011	**2010**	**Change**
Instruction	$ 18,580,420	$ 19,259,966	(3.53) %
Support services	13,472,836	12,477,296	7.98 %
Non-instructional	2,166,270	2,004,679	8.06 %
Sixteenth section	48,379	18,199	165.83 %
Interest expense on long-term liabilities and other debt issuance costs	114,537	61,396	86.55 %
Total expenses	**$ 34,382,442**	**$ 33,821,536**	**1.66 %**

	Net (Expense) Revenue		Pereentage
	2011	**2010**	**Change**
Instruction	$ (13,665,234)	$ (15,129,872)	(9.68) %
Support services	(9,173,022)	(10,327,532)	(11.18) %
Non-instructional	(36,593)	7,416	(593.43) %
Sixteenth section	(48,379)	(18,199)	165.83 %
Interest expense on long-term liabilities and other debt issuance costs	(114,537)	(61,396)	86.55 %
Total net (expense) revenue	**$ (23,037,765)**	**$ (25,529,583)**	**(9.76) %**

- Net cost of governmental activities ($23,037,765 for 2011 and $25,529,583 for 2010) was financed by general revenue, which is primarily made up of property taxes ($8,112,527 for 2011 and $7,691,685 for 2010) state and federal revenues ($15,556,606 for 2011 and $16,155,717 for 2010). In addition, there was $139,234 and $123,265 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $182,498 for 2011 and $411,642 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the Distriet 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 $8,817,171, a decrease of $439,681, which includes an inerease in reserve for inventory of $32,003. $3,589,651 or 41% of the fund balance is unassigned, whieh represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restrieted, eommitted, or assigned to specific purposes within the general fund. The remaining fund balance of $5,227,520 or 59% is either nonspendable, restricted, committed or assigned to indicate that it is not availablc for spending cxccpt only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $1,216,358. The fund balance of Other Governmental Funds showed a decrease in the amount of $2,069,206, which includes an increase in reserve for inventory of $32,003, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	No increase (decrease)
Disaster Relief Fund	No increase (decrease)
ARRA Early Head Start Fund	No increase (decrease)
2011 QSCB Construction Fund	$2,845,883

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 each major special revenue fund 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 $22,994,747, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of $5,274,228 from 2010. Total accumulated depreciation as of June 30, 2011, was $7,563,905, and total depreciation expense for the year was $583,956, resulting in total net capital assets of $15,430,842.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 421,785	$ 421,785	0.00 %
Construction in progress	5,890,584	972,431	505.76 %
Buildings	5,280,818	5,435,607	(2.85) %
Building improvements	729,246	763,316	(4.46) %
Improvements other than buildings	1,079,346	1,007,687	7.11 %
Mobile equipment	1,522,035	1,765,915	(13.81) %
Furniture and equipment	504,126	274,910	83.38 %
Leased property under capital leases	2,902	2,902	0.00 %
Total	**$ 15,430,842**	**$ 10,644,553**	**44.96 %**

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

Debt Administration. At June 30, 2011, the District had $8,671,459 in outstanding long-term debt, of which $359,308 is due within one year. The liability for compensated absences increased $30,222 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
Three-mill notes payable	$ 974,000	$ 1,078,000	(9.65) %
Obligations under capital leases	120,063	236,697	(49.28) %
Qualified zone academy bonds	1,000,000	1,000,000	0.00 %
Qualified school academy bonds	6,000,000	3,000,000	100.00 %
Shortfall notes payable	390,735	-	N/A %
Compensated absences payable	186,661	156,439	19.32 %
Total	$ 8,671,459	$ 5,471,136	58.49 %

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

CURRENT ISSUES

The Picayune 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 are 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 3% to 3,649 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or additional financial information, contact the Superintendent's Office of the Picayune School District, 706 Goodyear Blvd., Picayune, Mississippi 39466.

FINANCIAL STATEMENTS

PICAYUNE SCHOOL DISTRICT

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

		Governmental Activities
Assets		
Cash and cash equivalents	$	4,301,589
Due from other governments		999,458
Inventories		37,907
Deferred debt issuance costs		31,138
Restricted assets		4,077,418
Capital assets, non-depreciable:		
Land		421,785
Construction in progress		5,890,584
Capital assets, net of accumulated depreciation:		
Buildings		5,280,818
Building improvements		729,246
Improvements other than buildings		1,079,346
Mobile equipment		1,522,035
Furniture and equipment		504,126
Leased property under capital leases		2,902
Total Assets		24,878,352
Liabilities		
Accounts payable and accrued liabilities		557,312
Unearned revenue		41,889
Interest payable on long-term liabilities		74,300
Long-term liabilities, due within one year:		
Capital related liabilities		229,063
Non-capital related liabilities		130,245
Long-term liabilities, due beyond one year:		
Capital related liabilities		7,865,000
Non-capital related liabilities		447,151
Total Liabilities		9,344,960
Net Assets		
Invested in capital assets, net of related debt		10,182,662
Restricted for:		
Expendable:		
School-based activities		984,299
Debt service		961,816
Forestry improvements		163,665
Unemployment benefits		114,057
Non-expendable:		
Sixteenth section		83,500
Unrestricted		3,043,393
Total Net Assets	$	15,533,392

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

PICAYUNE SCHOOL DISTRICT

Statement of Activities **Exhibit B**

For the Year Ended June 30, 2011

Functions/Programs		Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:						
Instruction	$	18,580,420	154,616	4,760,570	-	(13,665,234)
Support services		13,472,836	-	4,299,814	-	(9,173,022)
Non-instructional		2,166,270	460,302	1,669,375	-	(36,593)
Sixteenth section		48,379	-	-	-	(48,379)
Interest on long-term liabilities and other debt issuance costs		114,537	-	-	-	(114,537)
Total Governmental Activities	$	34,382,442	614,918	10,729,759	-	(23,037,765)

General Revenues:	
Taxes:	
General purpose levies	7,825,630
Debt purpose levies	286,897
Unrestricted grants and contributions:	
State	14,120,101
Federal	1,436.505
Unrestrieted investment earnings	182,498
Sixteenth seetion sources	139,234
Other	148,686
Total General Revenues	24,139,551
Change in Net Assets	1,101,786
Net Assets - Beginning, as originally reported	14,432,950
Prior period adjustments	(1,344)
Net Assets - Beginning, as restated	14,431,606
Net Assets - Ending	$ 15,533,392

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

PICAYUNE SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds						
	General Fund	Title I Fund	Disaster Relief Fund	ARRA Early Head Start Fund	2011 QSCB Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 3,209,023	$ 4,292	$ -	$ -	$ 2,961,409	$ 1,633,424	$ 7,808,148
Cash with fiscal agents	-	-	-	-	-	876	876
Investments	-	-	-	-	-	569,983	569,983
Due from other governments	427,857	131,959	255,607	-	-	184,035	999,458
Due from other funds	503,064	-	-	-	-	-	503,064
Inventories	-	-	-	-	-	37,907	37,907
Total Assets	$ 4,139,944	$ 136,251	$ 255,607	$ -	$ 2,961,409	$ 2,426,225	$ 9,919,436
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 390,793	$ 13,566	$ -	$ -	$ 115,526	$ 37,427	$ 557,312
Due to other funds	-	122,685	255,607	-	-	124,772	503,064
Unearned revenue	-	-	-	-	-	41,889	41,889
Total Liabilities	390,793	136,251	255,607	-	115,526	204,088	1,102,265
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	37,907	37,907
Permanent fund principal	-	-	-	-	-	83,500	83,500
Restricted:							
Debt service	-	-	-	-	-	1,036,116	1,036,116
Capital projects	-	-	-	-	2,845,883	-	2,845,883
Unemployment benefits	-	-	-	-	-	114,057	114,057
Forestry improvement purposes	-	-	-	-	-	163,665	163,665
Grant activities	-	-	-	-	-	457,096	457,096
Assigned:							
School based activities	159,500	-	-	-	-	329,796	489,296
Unassigned	3,589,651	-	-	-	-	-	3,589,651
Total Fund Balances	3,749,151	-	-	-	2,845,883	2,222,137	8,817,171
Total Liabilities and Fund Balances	$ 4,139,944	$ 136,251	$ 255,607	$ -	$ 2,961,409	$ 2,426,225	$ 9,919,436

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

PICAYUNE SCHOOL DISTRICT

Governmental Funds

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

June 30, 2011

Total fund balances for governmental funds		$ 8,817,171
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	$ 421,785	
Construction in progress	5,890,584	
Buildings	9,081,371	
Building improvements	851,768	
Improvements other than buildings	1,417,209	
Mobile equipment	3,982,859	
Furniture and equipment	1,320,152	
Leased property under capital leases	29,019	
Accumulated depreciation	(7,563,905)	15,430,842
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:		
Three mill notes payable	(974,000)	
Obligations under capital leases	(120,063)	
Qualified zone academy bonds	(1,000,000)	
Qualified school construction bonds	(6,000,000)	
Shortfall notes payable	(390,735)	
Compensated absences	(186,661)	
Accrued interest payable	(74,300)	
Deferred debt issuance costs	31,138	(8,714,621)
Net assets of governmental activities		$ 15,533,392

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

PICAYUNE SCHOOL DISTRICT

Governmental Funds

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

For the Year Ended June 30, 2011

	Major Funds						
	General Fund	Title I Fund	Disaster Relief Fund	ARRA Early Head Start Fund	2011 QSCB Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	$ 8,370,816	$ -	$ -	$ -	$ 9,717	$ 746,860	$ 9,127,393
State sources	14,297,185	-	-	-	-	605,673	14,902,858
Federal sources	533,657	1,641,822	-	2,158,382	-	6,958,748	11,292,609
Sixteenth section sources	-	-	-	-	-	149,721	149,721
Total Revenues	23,201,658	1,641,822	-	2,158,382	9,717	8,461,002	35,472,581
Expenditures:							
Instruction	12,651,126	1,171,543	-	97,847	-	4,512,336	18,432,852
Support services	9,896,034	470,279	-	230,407	141,491	2,784,786	13,522,997
Noninstructional services	55,193	-	-	1,421	-	2,069,062	2,125,676
Sixteenth section	-	-	-	-	-	48,379	48,379
Facilities acquisition and construction	362,240	-	-	1,828,707	19,843	2,724,041	4,934,831
Debt service:							
Principal	116,634	-	-	-	-	104,000	220,634
Interest	6,959	-	-	-	-	57,935	64,894
Other	-	-	-	-	2,500	1,300	3,800
Total Expenditures	23,088,186	1,641,822	-	2,158,382	163,834	12,301,839	39,354,063
Excess (Deficiency) of Revenues over (under) Expenditures	113,472	-	-	-	(154,117)	(3,840,837)	(3,881,482)
Other Financing Sources (Uses):							
Bonds and notes issued	390,735	-	-	-	3,000,000	-	3,390,735
Sale of transportation equipment	1,000	-	-	-	-	-	1,000
Sale of property	-	-	-	-	-	8,271	8,271
Operating transfers in	-	-	-	-	-	1,946,544	1,946,544
Other financing sources	7,546	-	-	-	-	2,246	9,792
Transfer from QZAB debt service agent	-	-	-	-	-	80,690	80,690
Operating transfers out	(1,729,111)	-	-	-	-	(217,433)	(1,946,544)
Transfer to QZAB escrow agent	-	-	-	-	-	(80,690)	(80,690)
Total Other Financing Sources (Uses)	(1,329,830)	-	-	-	3,000,000	1,739,628	3,409,798
Net Change in Fund Balances	(1,216,358)	-	-	-	2,845,883	(2,101,209)	(471,684)
Fund Balances:							
July 1, 2010	4,965,509	-	-	-	-	4,291,343	9,256,852
Increase (decrease) in reserve for inventory	-	-	-	-	-	32,003	32,003
June 30, 2011	$ 3,749,151	$ -	$ -	$ -	$ 2,845,883	$ 2,222,137	$ 8,817,171

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

PICAYUNE 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		$ (471,684)
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	$ 5,379,005	
Depreciation expense	(583,956)	4,795,049
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(7,416)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(3,390,735)	
Payments of debt principal	220,634	
Accrued interest payable	(43,696)	(3,213,797)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(30,222)	
Change in inventory reserve	32,003	
Amortization of bond issuance costs	(2,147)	(366)
Change in net assets of governmental activities		$ 1,101,786

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

PICAYUNE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Assets **Exhibit E**

June 30, 2011

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 87,290	$ 1,675,790
Total Assets	87,290	$ 1,675,790
Liabilities		
Accounts payable and accrued liabilities	5,150	$ 1,609,412
Due to student clubs	-	66,378
Total Liabilities	5,150	$ 1,675,790
Net Assets		
Reserved for endowments	82,140	
Total Net Assets	$ 82,140	

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

PICAYUNE SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets **Exhibit F**

For the Year Ended June 30, 2011

	Private-Purpose Trust Funds
Additions	
Interest on investments	$ 1,584
Contributions and donations from private sources	5,727
Total Additions	7,311
Deductions	
Scholarships awarded	14,966
Total Deductions	14,966
Change in Net Assets	(7,655)
Net Assets	
July 1, 2010	89,795
June 30, 2011	$ 82,140

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

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 balanee amounts for governmental funds have been reelassified in accordanee 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 eonsidered an "other stand-alone government." The school district is a related organization of, but not a eomponent unit of, the city of Picayune since the governing authority of the city selects a majority of the school district's board but does not have finaneial accountability for the school district.

For financial reporting purposes, Picayune School Distriet has included all funds and organizations. The District has also considered all potential component units for whieh it is financially aecountable 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 Aecounting 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 specifie benefits to or impose speeifie finaneial 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 effeet 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 eharges 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 eapital assets, net of related debt, consists of capital assets, net of aceumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resourees 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 fund is used to account for the revenues and expenditures of the Title I program.

Disaster Relief Fund – This fund is used to account for federal funds related to Hurricane Katrina.

ARRA – Early Head Start Fund– This fund is used to account for funds available to the Head Start program under the American Recovery and Reinvestment Act to expand services to infants, toddlers, and pregnant women.

2011 QSCB Construction Fund – This fund accounts for the Qualified School Construction Bond proceeds and the related construction/renovation of a new cafeteria.

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:

Scholarship Funds – This fund serves to receive contributions and account for expenditures for scholarships.

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resourees 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 aecounting. However, debt service expenditures, as well as expenditures related to compensated absenees and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as reeeivables 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 complianee audits.

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifieations 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 eneumbrance system is not maintained to aecount 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 arc 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 finaneial institutions seleeted 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 aceounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years

Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

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 District's management pursuant to authorization established by the District's School Board.

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

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $7,808,148 and $1,763,080, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of $10,701,434 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 $876.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AAA	1 to 5	$ 569,983
Total			$ 569,983

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

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

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

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
U.S. Government Securities	$ 569,983	100%
Total	$ 569,983	

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 fund	$	122,685
	Disaster relief fund		255,607
	Other governmental funds		124,772
Total		$	503,064

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General fund	Other governmental funds	$	1,729,111
Other governmental funds	Other governmental funds		217,433
Total		$	1,946,544

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling $83,500, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents and investments balances, totaling $876 and $569,983, respectively, of the Qualified Zone Academy Bonds sinking fund.

Also, the restricted assets represent the cash balance, totaling $2,961,409, of the Qualified School Construction Bond Capital Projects Fund.

Also, the restricted assets represent the cash balance, totaling $461,650, of the other debt service funds, whose revenues are derived from ad valorem tax receipts.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Adjustment	Balance 6/30/2011
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 421,785	$ -	$ -	$ -	$ 421,785
Construction in progress	972,431	4,924,025	-	(5,872)	5,890,584
Total non-depreciable capital assets	1,394,216	4,924,025	-	(5,872)	6,312,369
Depreciable capital assets:					
Buildings	9,081,371	-	-	-	9,081,371
Building improvements	851,768	-	-	-	851,768
Improvements other than buildings	1,289,302	121,947	-	5,960	1,417,209
Mobile equipment	3,978,591	12,000	(7,733)	1	3,982,859
Furniture and equipment	1,096,252	321,033	(97,132)	(1)	1,320,152
Leased property under capital leases	29,019	-	-	-	29,019
Total depreciable capital assets	16,326,303	454,980	(104,865)	5,960	16,682,378
Less accumulated depreciation for:					
Buildings	3,645,764	154,788	-	1	3,800,553
Building improvements	88,452	34,071	-	(1)	122,522
Improvements other than buildings	281,615	54,816	-	1,432	337,863
Mobile equipment	2,212,676	255,109	(6,960)	(1)	2,460,824
Furniture and equipment	821,342	85,172	(90,489)	1	816,026
Leased property under capital leases	26,117	-	-	-	26,117
Total accumulated depreciation	7,075,966	583,956	(97,449)	1,432	7,563,905
Total depreciable capital assets, net	9,250,337	(128,976)	(7,416)	4,528	9,118,473
Governmental activities capital assets, net	$ 10,644,553	$ 4,795,049	$ (7,416)	$ (1,344)	$ 15,430,842

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 176,911
Support services	366,451
Non-instructional	40,594
Total depreciation expense - Governmental activities	$ 583,956

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2011	Remaining Commitment
Cafeteria Addition	$ 2,772,974	$ -
Early Head Start Expansion	3,041,407	107,738
Entrance at South Side	56,360	248,550
Nicholson Multipurpose Building	19,843	30,077
Total	$ 5,890,584	$ 386,365

The cafeteria addition is not closed out and finalized at June 30, 2011. As such, the project remains in construction in progress until final construction is complete.

Construction projects included in governmental activities are funded from Qualified School Construction Bonds, ARRA Early Head Start grants, and District Maintenance.

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. Three mill notes payable	$ 1,078,000	-	(104,000)	974,000	109,000
B. Obligation under capital leases	236,697	-	(116,634)	120,063	120,063
C. Qualified zone academy bonds payable	1,000,000	-	-	1,000,000	-
D. Qualified school construction bonds	3,000,000	3,000,000	-	6,000,000	-
E. Shortfall notes payable	-	390,735	-	390,735	130,245
F. Compensated absences payable	156,439	30,222	-	186,661	-
Total	$ 5,471,136	3,420,957	(220,634)	8,671,459	359,308

A. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note	2.7-4.2%	08/1/2004	08/1/2018	$ 1,500,000	$ 974,000

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

Year Ending June 30	Principal	Interest	Total
2012	$ 109,000	$ 37,220	$ 146,220
2013	114,000	32,982	146,982
2014	119,000	28,438	147,438
2015	125,000	23,556	148,556
2016	130,000	18,359	148,359
2017-2019	377,000	22,013	399,013
Total	$ 974,000	$ 162,568	$ 1,136,568

This debt will be retired from the Three Mill Note Retirement Fund

B. Obligation under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of fast forward district-wide software at a cost of $350,000. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
1. Fast Forward Software	2.94%	9/17/2008	9/17/2011	$	350,000	120,063
Total				$	350,000	120,063

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

Year Ending June 30	Principal	Interest	Total
2012	$ 120,063	3,530	123,593
Total	$ 120,063	3,530	123,593

This debt will be retired from the district maintenance fund.

C. 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 payable	0.00%	8/12/2004	6/30/2019	$ 1,000,000	$ 1,000,000
Total				$ 1,000,000	$ 1,000,000

D. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable, Series 2010	0.84%	1/15/2010	8/15/2024	$ 3,000,000	$3,000,000
Qualified school construction bonds payable, Series 2011	0.00%	5/1/2011	5/1/2026	3,000,000	3,000,000
Total				$ 6,000,000	$6,000,000

E. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note	2.90%	8/10/2010	8/10/2013	$ 390,735	$ 390,735
Total				$ 390,735	$ 390,735

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

Year Ending June 30	Principal	Interest	Total
2012	$ 130,245	$ 11,331	$ 141,576
2013	130,245	7,554	137,799
2014	130,245	3,777	134,022
Total	$ 390,735	$ 22,662	$ 413,397

This debt will be retired from the district maintenance fund.

F. Compensated absences payable.

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2012	$	97,521
2013		97,131
2014		93,929
2015		92,213
2016		92,213
2017 – 2021		461,065
2022 – 2026		461,065
2027 – 2031		451,176
2032 – 2036		273,971
Thereafter		231,996
Total	$	2,352,280

Note 9 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $2,390,973, $2,447,446 and $2,433,362, respectively, which equaled the required contributions for each year.

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. The school district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 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 Trustmark National Bank, has entered into such an arrangement dated January 15, 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 October 16th. The amount on deposit at June 30, 2011 was $570,859. 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.

Year Ending June 30	Amount
2012	$ 80,690
2013	80,690
2014	80,690
2015	80,690
Total	$ 322,760

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at

termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay eosts of issuance. There is $2,961,409 of unspent bond proceeds at June 30, 2011. The distriet was not required to make a sinking fund deposit for the year ended June 30, 2011. The amount accumulated in the sinking fund at the end of the seventeen-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.

Series 2010

Year Ending June 30		Amount
2012	$	65,000
2013		60,000
2014		60,000
2015		55,000
2016		135,000
2017-2021		1,045,000
2022-2025		1,580,000
Total	$	3,000,000

Series 2011

Year Ending June 30		Amount
2012	$	130,000
2013		130,000
2014		130,000
2015		130,000
2016		170,000
2017-2021		1,005,000
2022-2026		1,305,000
Total	$	3,000,000

Total All Series

Year Ending June 30		Amount
2012	$	195,000
2013		190,000
2014		190,000
2015		185,000
2016		305,000
2017-2021		2,050,000
2022-2026		2,885,000
Total	$	6,000,000

Note 14 - Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations		Amount
1. To adjust capital assets to subsidiary ledger	$	(1,344)

REQUIRED SUPPLEMENTAL INFORMATION

PICAYUNE SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 8,797,962	$ 8,370,816	$ 8,370,816	$ (427,146)	$ -
State sources	14,249,535	14,297,185	14,297,185	47,650	-
Federal sources	120,000	533,657	533,657	413,657	-
Total Revenues	23,167,497	23,201,658	23,201,658	34,161	-
Expenditures:					
Instruction	13,737,920	12,651,126	12,651,126	1,086,794	-
Support services	10,323,270	9,901,907	9,896,034	421,363	5,873
Noninstructional services	900	55,193	55,193	(54,293)	-
Facilities acquisition and construction	-	239,764	362,240	(239,764)	(122,476)
Debt service:					
Principal	116,634	116,634	116,634	-	-
Interest	6,959	6,959	6,959	-	-
Total Expenditures	24,185,683	22,971,583	23,088,186	1,214,100	(116,603)
Excess (Deficiency) of Revenues over (under) Expenditures	(1,018,186)	230,075	113,472	1,248,261	(116,603)
Other Financing Sources (Uses):					
Bonds and notes issued	-	-	390,735	-	390,735
Sale of transportation equipment	-	-	1,000	-	1,000
Operating transfers in	3,956,151	4,052,954	-	96,803	(4,052,954)
Other financing sources	-	-	7,546	-	7,546
Operating transfers out	(4,978,441)	(5,382,784)	(1,729,111)	(404,343)	3,653,673
Total Other Financing Sources (Uses)	(1,022,290)	(1,329,830)	(1,329,830)	(307,540)	-
Net Change in Fund Balances	(2,040,476)	(1,099,755)	(1,216,358)	940,721	(116,603)
Fund Balances:					
July 1, 2010	4,965,509	4,965,509	4,965,509	-	-
June 30, 2011	$ 2,925,033	$ 3,865,754	$ 3,749,151	$ 940,721	$ (116,603)

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

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 1,371,387	$ 1,641,822	$ 1,641,822	$ 270,435	$ -
Total Revenues	1,371,387	1,641,822	1,641,822	270,435	-
Expenditures:					
Instruction	829,137	1,171,543	1,171,543	(342,406)	-
Support services	542,250	470,279	470,279	71,971	-
Total Expenditures	1,371,387	1,641,822	1,641,822	(270,435)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
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.

PICAYUNE SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 50,000	$ -	$ -	$ (50,000)	$ -
Total Revenues	50,000	-	-	(50,000)	-
Expenditures:					
Support services	50,000	-	-	50,000	-
Total Expenditures	50,000	-	-	50,000	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
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.

PICAYUNE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
ARRA Early Head Start Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 3,643,157	$ 2,429,584	$ 2,158,382	$ (1,213,573)	$ (271,202)
Total Revenues	3,643,157	2,429,584	2,158,382	(1,213,573)	(271,202)
Expenditures:					
Instruction	514,600	97,847	97,847	416,753	-
Support serviees	340,482	230,408	230,407	110,074	1
Noninstructional services	-	1,421	1,421	(1,421)	-
Facilities acquisition and construction	2,449,312	2,099,908	1,828,707	349,404	271,201
Total Expenditures	3,304,394	2,429,584	2,158,382	874,810	271,202
Excess (Deficiency) of Revenues over (under) Expenditures	338,763	-	-	(338,763)	-
Net Change in Fund Balances	338,763	-	-	(338,763)	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	$ 338,763	$ -	$ -	$ (338,763)	$ -

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

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.

(3) Budget Variances

The budget variance for the General Fund is due to auditor adjustment and does not result in a state compliance violation.

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 437,116
National school lunch program	10.555	1,267,597
Summer food service program for children	10.559	69,181
Total child nutrition cluster		1,773,894
Total passed-through Mississippi Department of Education		1,773,894
Total U.S. Department of Agriculture		1,773,894
U.S. Department of Defense		
Direct programs:		
Reserve Officers' Training Corps	12.xxx	30,419
Total U.S. Department of Defense		30,419
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	472,926
Total Federal Communications Commission		472,926
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	57,962
Rural education	84.358	87,494
Education technology state grants	84.318	5,571
Improving teacher quality state grants	84.367	341,522
Education jobs fund	84.410	674,193
Subtotal		1,166,742
Title I cluster:		
Title I grants to local educational agencies	84.010	1,751,027
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	134,103
Total Title I cluster		1,885,130
Special education cluster:		
Special education - grants to states	84.027	736,522
Special education - preschool grants	84.173	55,417
ARRA - Special education grants to states, Recovery Act	84.391	463,499
ARRA - Special education - preschool grants, Recovery Act	84.392	25,870
Total special education cluster		1,281,308
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	902,848
Total State Fiscal Stabilization Fund cluster		902,848
Total passed-through Mississippi Department of Education		5,236,028
Total U.S. Department of Education		5,236,028

PICAYUNE SCHOOL DISTRICT

Supplemental Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	60,731
Total passed-through Mississippi Department of Education		60,731
Passed-through the Administration for Children and Families, Department of Health and Human Services:		
Head Start	93.600	796,863
ARRA - Head Start, Recovery Act	93.708	15,957
ARRA - Early Head Start, Recovery Act	93.709	2,977,863
Total passed-through the Administration for Children and Families, Department of Health and Human Services		3,790,683
Total U.S. Department of Health and Human Services		3,851,414
Total for All Federal Awards		$ 11,364,681

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.

PICAYUNE SCHOOL DISTRICT

Supplemental Information

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

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	26,972,816	19,317,046	1,041,604	2,143,120	4,471,046
Other		12,381,247	2,558,302	268,559	117,677	9,436,709
Total	$	39,354,063	21,875,348	1,310,163	2,260,797	13,907,755
Total number of students *		3,136				
Cost per student	$	12,549	6,975	418	721	4,435

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

PICAYUNE 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	$ 8,370,816	$ 8,426,856	$ 8,315,876	$ 7,750,529
State sources	14,297,185	15,033,363	16,915,687	17,530,225
Federal sources	533,657	137,501	128,009	323,856
Total Revenues	23,201,658	23,597,720	25,359,572	25,604,610
Expenditures:				
Instruction	12,651,126	14,049,533	14,396,357	14,052,649
Support services	9,896,034	9,845,175	10,703,566	9,901,007
Noninstructional services	55,193	14,774	1,091	-
Facilities acquisition and construction	362,240	170,000	-	6,990
Debt service:				
Principal	116,634	113,303	-	7,784
Interest	6,959	10,290	-	138
Total Expenditures	23,088,186	24,203,075	25,101,014	23,968,568
Excess (Deficiency) of Revenues over (under) Expenditures	113,472	(605,355)	258,558	1,636,042
Other Financing Sources (Uses):				
Bonds and notes issued	390,735	-	350,000	-
Insurance recoveries	-	1,223	1,281	787
Sale of transportation equipment	1,000	1,155	3,000	4,778
Operating transfers in	-	-	29,636	121,101
Other financing sources	7,546	-	-	-
Operating transfers out	(1,729,111)	(1,124,397)	(1,373,719)	(1,966,190)
Other financing uses	-	(13,476)	-	-
Total Other Financing Sources (Uses)	(1,329,830)	(1,135,495)	(989,802)	(1,839,524)
Net Change in Fund Balances	(1,216,358)	(1,740,850)	(731,244)	(203,482)
Fund Balances:				
Beginning of period, as originally reported	4,965,509	6,706,359	7,437,734	7,759,485
Prior period adjustments	-	-	(131)	(118,269)
Beginning of period, as restated	4,965,509	6,706,359	7,437,603	7,641,216
End of Period	$ 3,749,151	$ 4,965,509	$ 6,706,359	$ 7,437,734

*SOURCE - PRIOR YEAR AUDIT REPORTS

PICAYUNE 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	$ 9,127,393	$ 9,037,116	$ 9,093,429	$ 8,819,263
State sources	14,902,858	15,546,473	17,350,007	18,157,765
Federal sources	11,292,609	8,123,555	6,278,449	6,227,684
Sixteenth section sources	149,721	146,438	177,819	135,188
Total Revenues	35,472,581	32,853,582	32,899,704	33,339,900
Expenditures:				
Instruction	18,432,852	19,100,185	18,525,390	18,321,019
Support services	13,522,997	12,595,307	12,670,375	12,178,183
Noninstructional services	2,125,676	1,953,468	1,975,117	1,845,114
Sixteenth section	48,379	18,199	13,728	8,948
Facilities acquisition and construction	4,934,831	1,142,431	674,946	602,792
Debt service:				
Principal	220,634	212,303	196,721	271,308
Interest	64,894	55,030	53,120	63,984
Other	3,800	35,658	81,990	1,300
Total Expenditures	39,354,063	35,112,581	34,191,387	33,292,648
Excess (Deficiency) of Revenues over (under) Expenditures	(3,881,482)	(2,258,999)	(1,291,683)	47,252
Other Financing Sources (Uses):				
Bonds and notes issued	3,390,735	3,000,000	350,000	-
Insurance loss recoveries	-	1,223	1,281	4,180
Sale of transportation equipment	1,000	1,155	3,000	4,778
Sale of other property	8,271	-	-	-
Operating transfers in	1,946,544	1,244,397	1,513,327	2,087,291
Other financing sources	9,792	-	-	-
Transfer from QZAB debt service agent	80,690	80,690	80,690	80,690
Operating transfers out	(1,946,544)	(1,244,397)	(1,513,327)	(2,087,291)
Other financing uses	-	(13,476)	-	-
Transfer to QZAB escrow agent	(80,690)	(80,690)	-	(80,690)
Total Other Financing Sources (Uses)	3,409,798	2,988,902	434,971	8,958
Net Change in Fund Balances	(471,684)	729,903	(856,712)	56,210
Fund Balances:				
Beginning of period, as originally reported	9,256,852	8,588,044	9,446,445	9,532,383
Prior period adjustments	-	(52,645)	692	(126,193)
Beginning of period, as restated	9,256,852	8,535,399	9,447,137	9,406,190
Increase (Decrease) in reserve for inventory	32,003	(8,450)	(2,381)	(15,955)
End of Period	$ 8,817,171	$ 9,256,852	$ 8,588,044	$ 9,446,445

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

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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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Picayune School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Picayune School District as of and for the year ended June 30, 2011, and have issued our report thereon dated February 7, 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 Picayune School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pieayune School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Picayune School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effeetiveness of Picayune School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Cunningham CPAs

Cunningham CPAs, PLLC

February 7, 2012

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

Superintendent and School Board
Picayune School District

Compliance

We have audited Picayune 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 Picayune School District's major federal programs for the year ended June 30, 2011. Picayune 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 Picayune School District's management. Our responsibility is to express an opinion on Picayune 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 Picayune School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Picayune School District's compliance with those requirements.

In our opinion, Picayune 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 Picayune 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 Picayune 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 Picayune School District's internal control over compliance.

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

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

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

Cunningham CPAs

Cunningham CPAs, PLLC

February 7, 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
Pieayune School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Picayune School District as of and for the year ended June 30, 2011, which collectively comprise Picayune School District's basic financial statements and have issued our report thereon dated February 7, 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 $5,715 of classroom supply funds carried over from previous years.

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

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

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

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

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

Cunningham CPAs

Cunningham CPAs, PLLC

February 7, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PICAYUNE SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None reported
5.	Type of auditor's report issued on compliance for major programs:	Unqualified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Identification of major programs:	
	A. Child nutrition cluster:	
	CFDA #	10.553
	CFDA #	10.555
	CFDA #	10.559
	B. Title I - Grants to local educational agencies:	
	CFDA #	84.010
	CFDA #	84.389
	C. ARRA - State Fiscal Stabilization - Education State Grants, Recovery Act	
	CFDA #	84.394
	D. Special Education Cluster:	
	CFDA #	84.027
	CFDA #	84.173
	CFDA #	84.391
	CFDA #	84.392
	E. Education jobs fund	
	CFDA #	84.410
	F. Improving teacher quality - state grants	
	CFDA #	84.367
	G. Head Start Cluster:	
	CFDA #	93.600
	CFDA #	93.708
	CFDA #	93.709
	H. The school and libraries program of the universal service fund	
	CFDA #	32.xxx
8.	Dollar threshold used to distinguish between type A and type B programs:	$ 340,940
9.	Auditee qualified as a low-risk auditee?	No

PICAYUNE SCHOOL DISTRICT

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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