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PEARL RIVER COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

PEARL RIVER COUNTY SCHOOL DISTRICT

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

Superintendent and School Board
Pearl River County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Pearl River County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl River County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2014, on our consideration of the Pearl River County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pearl River County School District's internal control over financial reporting and compliance.



Whitfield and Company, P.C.
Picayune, MS
November 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Pearl River County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 position for 2013 decreased \$461,500, including a prior period adjustment of \$11,088, which represents a 2% decrease from fiscal year 2012. Total net position for 2012 decreased \$164,027, including a prior period adjustment of \$(117,880), which represents a 1% decrease from fiscal year 2011.
- General revenues amounted to \$20,208,727 and \$19,820,062, or 83% and 83% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,012,712, or 17% of total revenues for 2013, and \$4,035,252, or 17% of total revenues for 2012.
- The District had \$24,694,027 and \$23,901,461 in expenses for fiscal years 2013 and 2012; only \$4,012,712 for 2013 and \$4,035,252 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,208,727 for 2013 and \$19,820,062 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,810,200 in revenues and \$20,386,462 in expenditures for 2013, and \$19,392,255 in revenues and \$19,354,191 in expenditures in 2012. The General Fund's fund balance decreased by \$937,612 from 2012 to 2013, and decreased by \$305,003 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$355,907 for 2013 and decreased by \$414,222 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt, excluding deferred charges on refunding and deferred bond premiums, decreased by \$736,105 for 2013 and decreased by \$530,739 for 2012. The decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$5,791 for 2013 and increased by \$18,292 for 2012.

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 supplementary information, supplementary information, and other information.

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 Position 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 Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position, 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.

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 Supplementary Information

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

Supplementary 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.

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities by \$19,513,290 as of June 30, 2013.

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 position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 8,688,503	\$ 10,757,738	(19.23) %
Restricted assets	1,510,044	1,463,367	3.19 %
Capital assets, net	14,527,060	14,882,967	(2.39) %
Total assets	<u>24,725,607</u>	<u>27,104,072</u>	(8.78) %
Deferred outflows of resources	<u>74,967</u>	<u>-</u>	N/A %
Current liabilities	718,550	1,911,884	(62.42) %
Long-term debt outstanding	4,568,734	5,217,398	(12.43) %
Total liabilities	<u>5,287,284</u>	<u>7,129,282</u>	(25.84) %
Net position:			
Net investment in capital assets	10,194,990	9,887,371	3.11 %
Restricted	3,083,429	2,963,519	4.05 %
Unrestricted	6,234,871	7,123,900	(12.48) %
Total net position	<u>\$ 19,513,290</u>	<u>\$ 19,974,790</u>	(2.31) %

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

- Decrease in net capital assets in the amount of \$355,907.
- The principal retirement of \$730,314 of long-term debt.

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$24,221,439 and \$23,855,314, respectively. The total cost of all programs and services was \$24,694,027 for 2013 and \$23,901,461 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 918,430	\$ 940,843	(2.38) %
Operating grants and contributions	3,094,282	3,094,409	(0.00) %
General revenues:			
Property taxes	5,659,216	5,542,926	2.10 %
Grants and contributions not restricted	14,136,025	13,934,976	1.44 %
Investment earnings	58,226	71,878	(18.99) %
Sixteenth section sources	105,874	142,547	(25.73) %
Other	249,386	127,735	95.24 %
Total revenues	24,221,439	23,855,314	1.53 %
Expenses:			
Instruction	14,059,488	13,725,414	2.43 %
Support services	9,036,872	8,543,902	5.77 %
Non-instructional	1,384,101	1,432,237	(3.36) %
Sixteenth section	73,997	37,048	99.73 %
Interest on long-term liabilities	139,569	162,860	(14.30) %
Total expenses	24,694,027	23,901,461	3.32 %
Increase (Decrease) in net position	(472,588)	(46,147)	924.09 %
Net Position, July 1, as previously reported	19,974,790	20,138,817	(0.81) %
Prior Period Adjustment	11,088	(117,880)	109.41 %
Net Position, July 1, as restated	19,985,878	20,020,937	(0.18) %
Net Position, June 30	\$ 19,513,290	\$ 19,974,790	(2.31) %

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 14,059,488	\$ 13,725,414	2.43 %
Support services	9,036,872	8,543,902	5.77 %
Non-instructional	1,384,101	1,432,237	(3.36) %
Sixteenth section	73,997	37,048	99.73 %
Interest on long-term liabilities	139,569	162,860	(14.30) %
Total expenses	<u>\$ 24,694,027</u>	<u>\$ 23,901,461</u>	3.32 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (12,300,592)	\$ (12,042,915)	2.14 %
Support services	(8,237,007)	(7,654,189)	7.61 %
Non-instructional	65,542	16,857	288.81 %
Sixteenth section	(69,689)	(23,102)	201.66 %
Interest on long-term liabilities	(139,569)	(162,860)	(14.30) %
Total net (expense) revenue	<u>\$ (20,681,315)</u>	<u>\$ (19,866,209)</u>	4.10 %

- Net cost of governmental activities (\$20,681,315 for 2013 and \$19,866,209 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$5,659,216 for 2013 and \$5,542,926 for 2012) and state and federal revenues (\$14,136,025 for 2013 and \$13,934,976 for 2012). In addition, there was \$105,874 and \$142,547 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$58,226 for 2013 and \$71,878 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 \$9,454,847, a decrease of \$826,421, which includes an increase in inventory of \$2,776. \$6,185,421, or 65%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,269,426, or 35%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$937,612. The fund balance of Other Governmental Funds showed an increase in the amount of \$111,191, which includes an increase in inventory of \$2,776.

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. Budget revisions during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$22,770,350, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$287,002 from 2012 due primarily to the purchase of school buses and various items of furniture and equipment. Total accumulated depreciation as of June 30, 2013, was \$8,243,290, and total depreciation expense for the year was \$656,012, resulting in total net capital assets of \$14,527,060.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 759,736	\$ 759,736	0.00 %
Buildings	10,880,580	11,154,884	(2.46) %
Building improvements	1,276,729	1,366,178	(6.55) %
Improvements other than buildings	399,493	432,728	(7.68) %
Mobile equipment	1,060,734	1,025,779	3.41 %
Furniture and equipment	149,788	143,662	4.26 %
Total	<u>\$ 14,527,060</u>	<u>\$ 14,882,967</u>	(2.39) %

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

PEARL RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$4,566,697 in outstanding long-term debt, of which \$765,931 is due within one year. During the fiscal year, the District made principal payments totaling \$730,314 on outstanding long-term debt. The liability for compensated absences decreased \$5,791 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,780,000	\$ 2,100,000	(15.24) %
Limited obligation bonds payable	1,143,000	1,388,000	(17.65) %
Three mill notes payable	482,000	593,000	(18.72) %
Shortfall notes payable	55,628	109,942	(49.40) %
Qualified zone academy bonds payable	1,000,000	1,000,000	0.00 %
Compensated absences payable	106,069	111,860	(5.18) %
Subtotal	<u>4,566,697</u>	<u>5,302,802</u>	(13.88) %
Less deferred charges and bond premiums	<u>(72,930)</u>	<u>(85,404)</u>	(14.61) %
Total	\$ 4,493,767	\$ 5,217,398	(13.87) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,815,055
Due from other governments	724,828
Other receivables, net	10,883
Inventories	70,595
Deferred debt issuance costs	67,142
Restricted assets	1,510,044
Capital assets, non-depreciable:	
Land	759,736
Capital assets, net of accumulated depreciation:	
Buildings	10,880,580
Building improvements	1,276,729
Improvements other than buildings	399,493
Mobile equipment	1,060,734
Furniture and equipment	<u>149,788</u>
Total Assets	<u>24,725,607</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	<u>74,967</u>
Total Deferred Outflows of Resources	<u>74,967</u>
Liabilities	
Accounts payable and accrued liabilities	676,519
Unearned revenue	39
Interest payable on long-term liabilities	41,992
Deferred bond premiums	2,037
Long-term liabilities, due within one year	
Capital related liabilities	705,000
Non-capital related liabilities	60,931
Long-term liabilities, due beyond one year	
Capital related liabilities	3,700,000
Non-capital related liabilities	<u>100,766</u>
Total Liabilities	<u>5,287,284</u>
Net Position	
Net investment in capital assets	10,194,990
Restricted for:	
Expendable:	
School - based activities	1,122,253
Debt service	1,440,667
Forestry improvements	96,687
Unemployment benefits	48,657
Non-expendable:	
Sixteenth section	375,165
Unrestricted	<u>6,234,871</u>
Total Net Position	<u>\$ 19,513,290</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction	\$ 14,059,488	\$ 569,343	\$ 1,189,553	\$ -	\$ (12,300,592)
Support services	9,036,872	1,934	797,931	-	(8,237,007)
Non-instructional	1,384,101	342,845	1,106,798	-	65,542
Sixteenth section	73,997	4,308	-	-	(69,689)
Interest on long-term liabilities	139,569	-	-	-	(139,569)
Total Governmental Activities	\$ 24,694,027	\$ 918,430	\$ 3,094,282	\$ -	(20,681,315)
General Revenues:					
Taxes:					
					5,099,003
					560,213
Unrestricted grants and contributions:					
					13,997,961
					138,064
					58,226
					105,874
					249,386
					<u>20,208,727</u>
					<u>(472,588)</u>
					19,974,790
					<u>11,088</u>
					<u>19,985,878</u>
					<u>\$ 19,513,290</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2013

Exhibit C

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
ASSETS			
Cash and cash equivalents	\$ 6,335,344	\$ 1,854,948	\$ 8,190,292
Cash with fiscal agents	-	180,065	180,065
Investments	-	954,742	954,742
Due from other governments	328,087	311,414	639,501
Other receivables, net	-	10,883	10,883
Due from other funds	198,101	-	198,101
Inventories	-	70,595	70,595
Total Assets	6,861,532	3,382,647	10,244,179
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	532,106	144,413	676,519
Due to other funds	-	112,774	112,774
Unearned revenue	-	39	39
Total Liabilities	532,106	257,226	789,332
Fund Balances:			
Nonspendable:			
Inventory	-	70,595	70,595
Permanent and principal	-	375,165	375,165
Restricted:			
Debt service	-	1,482,659	1,482,659
Forestry improvements purposes	-	96,687	96,687
Grant activities	-	43,829	43,829
Unemployment benefits	-	48,657	48,657
Child nutrition	-	475,283	475,283
Sixteenth section interest	-	532,546	532,546
Assigned:			
Activity funds	144,005	-	144,005
Unassigned	6,185,421	-	6,185,421
Total Fund Balances	6,329,426	3,125,421	9,454,847
Total Liabilities and Fund Balances	\$ 6,861,532	\$ 3,382,647	\$ 10,244,179

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

PEARL RIVER COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2013

Exhibit C-1

	<u>Amount</u>	
Total fund balances for governmental funds		\$ 9,454,847
Amounts reported for governmental activities in the statement of Net Position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 759,736	
Buildings	15,151,900	
Building Improvements	2,275,395	
Improvements other than buildings	830,893	
Mobile equipment	2,894,265	
Furniture and equipment	858,161	
Accumulated depreciation	<u>(8,243,290)</u>	14,527,060
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the fund:		
General obligation bonds	\$ (1,780,000)	
Limited obligation bonds	(1,143,000)	
Other bonds payable	(1,000,000)	
Notes payable	(537,628)	
Compensated absences	(106,069)	
Unamortized charges	142,109	
Unamortized premiums	(2,037)	
Accrued interest payable	<u>(41,992)</u>	<u>(4,468,617)</u>
Net Position of governmental activities		<u>\$19,513,290</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

Exhibit D

	<u>Major Funds</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Revenues:			
Local sources	\$ 5,870,138	\$ 1,005,430	\$ 6,875,568
State sources	13,811,407	584,724	14,396,131
Federal sources	128,655	2,705,520	2,834,175
Sixteenth section sources	-	111,831	111,831
Total Revenues	<u>19,810,200</u>	<u>4,407,505</u>	<u>24,217,705</u>
Expenditures:			
Instruction	12,290,565	1,415,881	13,706,446
Support services	8,095,791	910,411	9,006,202
Noninstructional services	106	1,397,757	1,397,863
Sixteenth section	-	73,997	73,997
Debt service:			
Principal	-	730,314	730,314
Interest	-	131,664	131,664
Other	-	4,150	4,150
Total Expenditures	<u>20,386,462</u>	<u>4,664,174</u>	<u>25,050,636</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(576,262)</u>	<u>(256,669)</u>	<u>(832,931)</u>
Other Financing Sources (Uses):			
Insurance recovery	1,934	-	1,934
Sale of other property	1,800	-	1,800
Operating transfers in	15,600	380,034	395,634
Other financing sources	-	650	650
Operating transfers out	(380,034)	(15,600)	(395,634)
Other financing uses	<u>(650)</u>	<u>-</u>	<u>(650)</u>
Total Other Financing Sources (Uses)	<u>(361,350)</u>	<u>365,084</u>	<u>3,734</u>
Net Change in Fund Balances	(937,612)	108,415	(829,197)
Fund Balances:			
July 1, 2012	7,267,038	3,014,230	10,281,268
Increase (Decrease) in inventory	-	2,776	2,776
June 30, 2013	<u>\$ 6,329,426</u>	<u>\$ 3,125,421</u>	<u>\$ 9,454,847</u>

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

PEARL RIVER COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2013

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds \$ (829,197)

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	289,317	
Depreciation expense	<u>(656,012)</u>	(366,695)

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 Position differs from the change in fund balance by the cost of the assets sold.

(300)

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 Position. 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:

Payments of debt principal	730,314	
Accrued interest payable	<u>8,719</u>	739,033

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

Change in compensated absences	5,791	
Change in inventory	2,776	
Amortization of deferred charges, premiums and discounts	<u>(23,996)</u>	(15,429)

Change in Net Position of Governmental Activities \$ (472,588)

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2013

Exhibit E

	Private-Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 1,499	\$ 999,002
Total Assets	<u>1,499</u>	<u>999,002</u>
Liabilities		
Accounts payable and accrued liabilities	250	892,080
Due to other funds	-	85,327
Due to student clubs	<u>-</u>	<u>21,595</u>
Total Liabilities	<u>250</u>	<u>\$ 999,002</u>
Net Position		
Held in trust	<u>1,249</u>	
Total Net Position	<u>\$ 1,249</u>	

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2013

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 2
Contributions and donations from private sources	<u>1,000</u>
Total Additions	<u>1,002</u>
Deductions	
Scholarships awarded	<u>1,250</u>
Total Deductions	<u>1,250</u>
Change in Net Position	<u>(248)</u>
Net Position	
July 1, 2012	<u>1,497</u>
June 30, 2013	<u>\$ 1,249</u>

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

NOTES TO FINANCIAL STATEMENTS

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary 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.

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 position and changes in net position.

The District's fiduciary funds include the following:

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

The District's fiduciary funds (continued)

- o Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.
- o Coca-Cola Scholarship Fund – This fund is used to account for funds received from Coca-Cola for scholarships to students at the district.

Additionally, the school district reports the following fund types:

GOVERNMENTAL 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 which the principal and income benefit individuals, private organizations or other governments.

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

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

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

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

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

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 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.

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and investments

Cash and cash equivalents

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

Investments

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2013

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cos. 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 Position 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.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2013

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 Position. 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 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.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

7. Deferred outflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until then. The deferred outflow is from advance refunding of general obligation and limited obligation bonds payable.

See Note 6 for further details.

8. 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.

9. 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.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2013

10. Fund Balances

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

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

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

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

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

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2013

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 moneys 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 \$9,145,034 (which includes \$954,742 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$1,000,501, respectively.

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2013

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, 2013, none of the district's bank balance of \$10,145,505 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 \$180,065.

Investments

As of June 30 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	Not Rated	Less than one year	\$ 954,742
Total			\$ 954,742

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, 2013, 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.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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	Other governmental fund	\$112,774
	Fiduciary funds	<u>85,327</u>
Total		<u>\$198,101</u>

The purpose of interfund loans was to account for federal funds that were not received until after the year ending June 30, 2013.

B. Inter-fund Transfers

Transfers out	Transfers In	Amount
General Fund	Other governmental funds	\$380,034
Other governmental funds	General Fund	<u>15,600</u>
Total		<u>\$395,634</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$375,237 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$1,151 and \$954,742, respectively, of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the cash with fiscal agent balance, totaling \$178,914 of the MAEP Limited Obligation Bond/Note Fund.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 5 – Capital Assets

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

	Balance 7/1/12	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities					
<u>Non-depreciable capital assets:</u>					
Land	\$ 759,736				\$ 759,736
Total non-depreciable capital assets	759,736				759,736
<u>Depreciable capital assets:</u>					
Buildings	15,140,978			10,922	15,151,900
Building improvements	2,275,395				2,275,395
Improvements other than buildings	830,893				830,893
Mobile equipment	2,686,073	208,192			2,894,265
Furniture and equipment	790,273	81,125	(30,015)	16,778	858,161
Total depreciable capital assets	21,723,612	289,317	(30,015)	27,700	22,010,614
<u>Less accumulated depreciation for:</u>					
Buildings	3,986,094	285,226			4,271,320
Building improvements	909,217	89,449			998,666
Improvements other than buildings	398,165	33,235			431,400
Mobile equipment	1,660,294	173,237			1,833,531
Furniture and equipment	646,611	74,865	(29,715)	16,612	708,373
Total accumulated depreciation	7,600,381	656,012	(29,715)	16,612	8,243,290
Total depreciable capital assets, net	14,123,231	(366,695)	(300)	11,088	13,767,324
Governmental activities capital assets, net	\$ 14,882,967	(366,695)	(300)	11,088	\$14,527,060

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 357,096
Support services	253,255
Non-instructional	45,661
Total depreciation expense – Governmental activities	<u>\$ 656,012</u>

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 2,100,000		\$ 320,000	\$ 1,780,000	\$ 335,000
General obligation deferred refunding	(76,279)		(10,897)	(65,382)	
Deferred bond premium	<u>2,377</u>	<u>0</u>	<u>340</u>	<u>2,037</u>	
Total general obligation bonds payable	2,026,098		309,443	1,716,655	335,000
B. Limited obligation bonds payable	1,388,000		245,000	1,143,000	255,000
Limited obligation deferred refunding	<u>(11,502)</u>		<u>(1,917)</u>	<u>(9,585)</u>	
Total limited obligation bonds payable	1,376,498		243,083	1,133,415	255,000
C. Three mill notes payable	593,000		111,000	482,000	115,000
D. Shortfall notes payable	109,942		54,314	55,628	55,628
E. Qualified zone academy bonds payable	1,000,000			1,000,000	
F. Compensated absences payable	<u>111,860</u>		<u>5,791</u>	<u>106,069</u>	<u>5,303</u>
Total	<u>\$ 5,217,398</u>	<u>\$ 0</u>	<u>\$ 723,631</u>	<u>\$ 4,493,767</u>	<u>\$ 765,931</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, series 2003	2.00-3.85	8/19/2003	2/15/2018	\$4,475,000	\$ 1,780,000
Total				<u>\$4,475,000</u>	<u>\$ 1,780,000</u>

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

General obligation bond issue of August 19, 2003

Year Ending June 30	Principal	Interest	Total
2014	\$ 335,000	\$ 64,878	\$ 399,878
2015	350,000	53,488	403,488
2016	360,000	41,063	401,063
2017	375,000	27,923	402,923
2018	360,000	13,860	373,860
Total	<u>\$ 1,780,000</u>	<u>\$ 201,212</u>	<u>\$ 1,981,212</u>

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 2.12% of property assessments as of October 1, 2012.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bond. series 2011	2.45	4/18/2011	8/1/2017	\$1,592,000	\$ 1,143,000
Total				<u>\$1,592,000</u>	<u>\$ 1,143,000</u>

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

Limited obligation bond issue of April 18, 2011:

Year Ending June 30	Principal	Interest	Total
2014	\$ 255,000	\$ 358,394	\$ 613,394
2015	260,000	33,863	293,863
2016	270,000	22,163	292,163
2017	280,000	5,341	285,341
2018	78,000	956	78,956
Total	\$ 1,143,000	\$ 420,717	\$ 1,563,717

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

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, series 2004	1.40-4.05	4/2/2004	4/1/2017	\$2,000,000	\$ 482,000
Total				\$2,000,000	\$ 482,000

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

Three mill notes payable issue of April 2, 2004:

Year Ending June 30	Principal	Interest	Total
2014	\$ 115,000	\$ 18,758	\$ 133,758
2015	119,000	14,503	133,503
2016	123,000	9,921	132,921
2017	125,000	5,063	130,063
Total	\$ 482,000	\$ 48,245	\$ 530,245

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, series 2010	2.59	7/15/2010	7/15/2013	\$ 162,844	\$ 55,628
Total				\$ 162,844	\$ 55,628

The District has a receivable from the taxing authority sufficient to satisfy this debt. This receivable is included in due from other governments on the Statement of Net Position. The following is a schedule by years of the total payments due on this debt:

1. Shortfall notes payable issue of July 15, 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 55,628	\$ 1,488	\$ 57,116
Total	\$ 55,628	\$ 1,488	\$ 57,116

This Debt will be retired from the Shortfall note retirement fund (4011).

E. Qualified zone academy bonds payable

As more fully explained in Note 13, 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 Bond, series 2004	0.00	11/18/2004	11/18/2014	\$ 1,000,000	\$ 1,000,000
Total				\$ 1,000,000	\$ 1,000,000

F. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Prior Year Defeasance of Debt

In prior years, the Pearl River County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013, \$1,120,000 of bonds outstanding are defeased.

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer’s rate as of June 30, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$1,863,564, \$1,550,988 and \$1,450,192 respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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
2014	\$ 61,153
2015	49,309
2016	49,309
2017	49,134
2018	49,134
2019-2023	233,255
2024-2028	221,980
2029-2033	195,130
2034-2038	126,294
2039-2044	<u>83,926</u>
Total	<u>\$ 1,118,624</u>

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 10 – Prior Period Adjustments

A summary of significant net Position/Fund Balance adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct Capital Asset Balances	\$ 11,088
Total	<u>\$ 11,088</u>

Note 11 – Contingencies

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

Note 12 – Risk Management

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

Note 13 – Uncertainties

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

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

PEARL RIVER COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 14 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs for kindergarten through secondary school, in partnership with the business community. The school district, in agreement with various individuals and other entities, has entered into such an arrangement dated November 18, 2004.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before November 5 of each year through 2009. The amount on deposit at June 30, 2013 was \$ 955,893. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt.

Note 15 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Pearl River County School District evaluated the activity of the district through November 19, 2014, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PEARL RIVER SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,348,677	\$ 5,870,138	\$ 5,870,138	\$ 521,461	\$ -
State sources	13,741,876	13,811,407	13,811,407	69,531	-
Federal sources	106,500	128,655	128,655	22,155	-
Total Revenues	19,197,053	19,810,200	19,810,200	613,147	-
Expenditures:					
Instruction	11,804,512	12,290,565	12,290,565	(486,053)	-
Support services	7,531,050	8,095,791	8,095,791	(564,741)	-
Noninstructional services	120	106	106	14	-
Total Expenditures	19,335,682	20,386,462	20,386,462	(1,050,780)	-
Excess (Deficiency) of Revenues Over (under) Expenditures	(138,629)	(576,262)	(576,262)	(437,633)	-
Other Financing Sources (Uses):					
Insurance recovery	-	1,934	1,934	1,934	-
Sale of other property	-	1,800	1,800	1,800	-
Operating transfers in	3,046,212	3,001,220	15,600	(44,992)	(2,985,620)
Operating transfers out	(3,425,573)	(3,365,654)	(380,034)	59,919	2,985,620
Other financing uses	-	(650)	(650)	(650)	-
Total Other Financing Sources (Uses)	(379,361)	(361,350)	(361,350)	18,011	-
Net Change in Fund Balances	(517,990)	(937,612)	(937,612)	(419,622)	-
Fund Balances:					
July 1, 2012	6,700,000	6,867,953	7,267,038	167,953	399,085
June 30, 2013	\$ 6,182,010	\$ 5,930,341	\$ 6,329,426	\$ (251,669)	\$ 399,085

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

PEARL RIVER SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	Catalog of Fed. Domestic <u>Assistance Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	230,882
National school lunch program	10.555	881,264
Total Passed-through Mississippi Department of Education		<u>1,112,146</u>
Total child nutrition cluster		<u>1,112,146</u>
Total U.S. Department of Agriculture		<u>1,112,146</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	68,660
Total U.S. Department of Defense		<u>68,660</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and libraries program of the universal service fund	32.xxx	63,790
Total Federal Communications Commission		<u>63,790</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	686,656
Career and technical education – basic grants to states	84.048	47,084
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	602
Education for homeless children and youth	84.196	5,924
Rural Education	84.358	71,603
English language acquisition grants	84.365	6,122
Improving teacher quality – State Grants	84.367	145,269
Subtotal		<u>963,260</u>
Special Education Cluster:		
Special education – grants to states	84.027	570,812
Special education – preschool grants	84.173	20,590
Total special education cluster		<u>591,402</u>
Total Passed-through Mississippi Department of Education		<u>1,554,662</u>
Total U.S. Department of Education		<u>1,554,662</u>
<u>U.S. Department of Health and Human Services</u>		
Medicaid cluster:		
Medical assistance program	93.778	5,011
Total Medicaid cluster		<u>5,011</u>
Total for All Federal Awards		<u>\$ 2,804,269</u>

NOTES TO SCHEDULE

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

Pearl River County School District
 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds
 For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 17,514,300	13,584,863	745,795	1,340,731	1,842,911
Other	7,536,336	2,129,595	378,885	114,770	4,913,086
Total	25,050,636	15,714,458	1,124,680	1,455,501	6,755,997
Total number of students*	2,715				
Cost per student	\$ 9,226	5,788	414	536	2,488

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

Instruction and Other Student Instructional Expenditures-

Includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)

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

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

Other – includes all expenditure functions not included in instruction or Administration Categories

*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

PEARL RIVER COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

“UNAUDITED”

General Fund

Last Four Years

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$ 5,870,138	\$ 5,679,838	\$ 5,452,793	\$ 5,384,131
State sources	13,811,407	13,618,932	12,502,497	12,942,183
Federal sources	<u>128,655</u>	<u>93,485</u>	<u>117,007</u>	<u>63,100</u>
Total Revenues	<u>19,810,200</u>	<u>19,392,255</u>	<u>18,072,297</u>	<u>18,389,414</u>
Expenditures:				
Instruction	12,290,565	11,974,087	9,979,921	10,764,889
Support services	8,095,791	7,380,005	6,661,826	6,743,640
Noninstructional services	106	99	90	22,652
Facilities acquisition and construction				
Debt service:				
Other	<u>0</u>	<u>0</u>	<u>650</u>	<u>0</u>
Total Expenditures	<u>20,386,462</u>	<u>19,354,191</u>	<u>16,642,487</u>	<u>17,531,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(576,262)</u>	<u>38,064</u>	<u>1,429,810</u>	<u>858,233</u>
Other Financing Sources (Uses):				
Insurance recovery	1,934		1,093,842	
Sale of other property	1,800	10,210		
Operating transfers in	15,600	97,271		2,739,295
Operating transfers out	(380,034)	(449,898)	(356,922)	(3,114,391)
Other financing uses	<u>(650)</u>	<u>(650)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(361,350)</u>	<u>(343,067)</u>	<u>736,920</u>	<u>(375,096)</u>
Net Change in Fund Balances	<u>(937,612)</u>	<u>(305,003)</u>	<u>2,166,730</u>	<u>483,137</u>
Fund Balances:				
Fund balance, July 1, as previously reported	7,267,038	7,572,041	5,425,870	4,942,733
Prior period adjustments	<u>0</u>	<u>0</u>	<u>(20,559)</u>	<u>0</u>
Fund balance, July 1, as restated	<u>7,267,038</u>	<u>7,572,041</u>	<u>5,405,311</u>	<u>4,942,733</u>
Fund balance, June 30	<u>\$ 6,329,426</u>	<u>\$ 7,267,038</u>	<u>\$ 7,572,041</u>	<u>\$ 5,425,870</u>

* SOURCE – PRIOR YEAR AUDIT REPORTS

PEARL RIVER COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

“UNAUDITED”

All Governmental Funds

Last Four Years

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$ 6,875,568	\$ 6,665,870	\$ 6,548,443	\$ 6,471,388
State sources	14,396,131	14,265,043	13,112,046	13,522,409
Federal sources	2,834,175	2,764,344	4,685,086	4,340,631
Sixteenth section sources	<u>111,831</u>	<u>159,407</u>	<u>77,727</u>	<u>204,060</u>
Total Revenues	<u>24,217,705</u>	<u>23,854,664</u>	<u>24,423,302</u>	<u>24,538,488</u>
Expenditures:				
Instruction	13,706,446	13,363,784	13,263,449	13,819,287
Support services	9,006,202	8,467,114	7,724,071	7,689,048
Noninstructional services	1,397,863	1,394,563	1,271,702	1,304,313
Sixteenth section	73,997	37,048	67,420	51,776
Debt service:				
Principal	730,314	711,875	673,340	658,782
Interest	131,664	145,884	204,595	227,965
Other	<u>4,150</u>	<u>1,650</u>	<u>21,335</u>	<u>3,710</u>
Total Expenditures	<u>25,050,636</u>	<u>24,121,918</u>	<u>23,225,912</u>	<u>23,754,881</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(832,931)</u>	<u>(267,254)</u>	<u>1,197,390</u>	<u>783,607</u>
Other Financing Sources (Uses):				
Payment held by QZAB debt escrow agent				62,925
Insurance recovery	1,934		1,093,842	
Refunding bonds issued			1,592,000	
Payment to refunded bond escrow agent			(1,580,336)	
Payment to QZAB debt escrow agent				(62,925)
Sale of other property	1,800	10,210		
Operating transfers in	395,634	547,169	356,922	3,141,776
Other financing sources	650	650	650	650
Operating transfers out	(395,634)	(547,169)	(356,922)	(3,141,776)
Other financing uses	<u>(650)</u>	<u>(3,150)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>3,734</u>	<u>7,710</u>	<u>1,106,156</u>	<u>650</u>
Net Change in Fund Balances	<u>(829,197)</u>	<u>(259,544)</u>	<u>2,303,546</u>	<u>784,257</u>
Fund Balances:				
Fund balance, July 1, as previously reported	10,281,268	10,534,964	8,249,308	7,470,551
Prior period adjustments	<u>0</u>	<u>0</u>	<u>(20,559)</u>	<u>0</u>
Fund balance, July 1, as restated	<u>10,281,268</u>	<u>10,534,964</u>	<u>8,228,749</u>	<u>7,470,551</u>
Increase (Decrease) in reserve for inventory	<u>2,776</u>	<u>5,848</u>	<u>2,669</u>	<u>(5,500)</u>
Fund balance, June 30	<u>\$ 9,454,847</u>	<u>\$ 10,281,268</u>	<u>\$10,534,964</u>	<u>\$ 8,249,308</u>

* SOURCE-PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Pearl River County School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pearl River County School District, as or and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pearl River County School District's basic financial statements and have issued our report thereon dated November 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pearl River County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearl River County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pearl River County School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2013-01, 2013-02 and 2013-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed test 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*.

Pearl River County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Pearl River County School District's responses and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Whitfield and Company P.C.
Picayune, Mississippi
November 19, 2014

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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Superintendent and School Board
Pearl River County School District

Report on Compliance for Each Major Federal Program

We have audited Pearl River County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pearl River County Public School District's major federal programs for the year ended June 30, 2013. Pearl River County Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pearl River County School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 major federal program occurred. An audit includes examining, on a test basis, evidence about Pearl River County 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Pearl River County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pearl River County School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Pearl River County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pearl River County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pearl River County 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2013-04 to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Whitfield & Company P.C.

Picayune, Mississippi

November 19, 2014

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

Superintendent and School Board
Pearl River County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2013, which collectively comprise Pearl River County School District's basic financial statements and have issued our report thereon dated November 19, 2014. 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 *Governmental 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 no classroom supply funds carried over from previous years.

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

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

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

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

1. Finding:

Sections 31-7-13 Miss. Code Ann. (1972), requires that two written signed bids be obtained for purchases between \$5,001 and \$50,000.

During our test of purchases between \$5,001 and \$50,000 we noted two instances where bids were not signed by the vendor and two instances where online advertisements were used in place of vendor quotes.

Recommendation:

We recommend that the District comply with the above referenced Mississippi Code Section.

School Districts Response:

The District will comply with the requirement of the above referenced Mississippi Code Section.

2. Finding:

Section 71-5-359 Miss. Code Ann (1972), requires the District to maintain an Unemployment Compensation Fund Balance of at least 2% of applicable wages.

During our test of the Districts compliance with the above referenced code section it was noted the District was required to maintain a balance of \$53,799, but the actual balance as of June 30, 2013 was only \$50,183.

Recommendation:

We recommend that the District comply with the above referenced Mississippi Code Section.

School Districts Response:

The District will comply with the requirement of the above referenced Mississippi Code Section.

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

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

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

A handwritten signature in black ink, appearing to read "Whitfield and Company P.C.", with a stylized flourish at the end.

Whitfield and Company P.C.

November 19, 2014

PEARL RIVER COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year ended June 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued: | unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness (es) identified? | No |
| b. Significant deficiency (ies) identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness (es) identified? | Yes |
| b. Significant deficiency (ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. Identification of major programs: | |

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555

Child Nutrition Cluster

84.010

Title I grants to local educational agencies

84.027; 84.173

Special Education Cluster

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

Section 2: Financial Statement Findings

Significant Deficiencies Not Considered to be Material Weaknesses:

2013-01 Finding:

In the course of our work on fixed assets, we noted a number of items had been identified as lost or stolen due to inadequate numbering and/or tracking of the items. Inadequate tracking creates the opportunity for theft or fraud to occur and could result in loss of district fixed assets.

Recommendation:

We recommend that a district policy regarding fixed assets be followed to ensure adequate tracking, identification, and control of all district assets.

2013-02 Finding:

In the course of our work we noted what appear to be several software errors. Some state report totals did not agree with the general ledger. Fixed asset reports omitted some line items and added others causing incorrect totals.

Recommendation:

We recommend these problems be reviewed and if appropriate the District should contact the software vendor to have these issues resolved.

2013-03 Finding:

In the course of our work related to cash disbursements, we noted four items where there was no indication of authorization to pay by the responsible party prior to payment. We noted three instances where invoices had not been cancelled. We noted two invoices for substitute pay, which appear to be paid at the incorrect rate.

Recommendation:

We recommend that all invoices be reviewed by a responsible party and authorization to pay should be indicated on the invoice by that individual prior to payment. We recommend all invoices be cancelled upon payment. We recommend the accuracy of all invoices be verified prior to payment.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency Considered to be a Material Weakness:

2013-04

Compliance requirement: Equipment and real property management

Program: Special Education Cluster: Special Education – Grants to States CFDA #84.027, Special Education – Preschool Grants CFDA #84.173; U.S. Department of Education; pass through the Mississippi Department of Education.

Finding:

In our test of internal control over the equipment and real property management requirement, no documentation was available to indicate that fixed asset records were maintained by Special Education cluster programs.

Recommendation:

We recommend that Special Education cluster equipment records be maintained as required.

Pearl River County

ALAN LUMPKIN
Superintendent of Education

7441 Highway 11
Carriere, Mississippi 39426

NINA GUTHRIE
Assistant Superintendent

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AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____315(c) of OMB Circular A-133, the Pearl River County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2013:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-01	In the course of our work on fixed assets, we noted a number of items had been identified as lost or stolen due to inadequate numbering and/or tracking of the items. Inadequate tracking creates the opportunity for theft or fraud to occur and could result in loss of district fixed assets.

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson
Title: Business Administrator

B. Corrective Action Planned:

The District has implemented policies to better account for fixed assets.

C. June 30, 2014

2013-02	In the course of our work we noted what appear to be several software errors. Some state report totals did not agree with the general ledger. Fixed asset reports omitted some line items and added others causing incorrect totals.
---------	--

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson
Title: Business Administrator

B. Corrective Action Planned:

The District will be converting to a new software.

C. January 12, 2015

2013-03 In the course of our work related to cash disbursements, we noted four items where there was no indication of authorization to pay by the responsible party prior to payment. We noted three instances where invoices had not been cancelled. We noted two invoices for substitute pay, which appear to be paid at the incorrect rate.

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson
Title: Business Administrator

B. Corrective Action Planned:

The Business Administrator will review all invoices for accuracy prior to payment. Responsible parties will sign packing slip and/or invoices prior to payment.

C. December 31, 2014

2013-04 In our test of internal control over the equipment and real property management requirement, no documentation was available to indicate that fixed asset records were maintained by Special Education cluster programs.

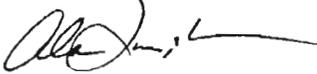
A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson
Title: Business Administrator

B. Corrective Action Planned:

The District has implemented a tagging system to track all Special Education property. This system is similar to the one used for Title property.

C. June 30, 2014



Alan Lumpkin
Superintendent of Education