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PERRY COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

PERRY COUNTY SCHOOL DISTRICT

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PERRY COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Perry 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 Perry 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 Perry 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 the 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.

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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 Perry 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 42-43 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perry 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, 2013 on our consideration of the Perry 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perry County School District's internal control over financial reporting and compliance.

Holt & Associates, PLLC

November 19, 2013

PERRY COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Perry County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 increased \$30,586, including a period adjustment of (\$9,086), which represents 1% increase from fiscal year 2012. Total net position for 2012 increased \$912,131, which represents a 24% increase from fiscal year 2011.
- General revenues amounted to \$9,430,807 and \$9,853,582 or 79% and 79% 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 \$2,465,331, or 21% of total revenues for 2013, and \$2,588,073 or 21% of total revenues for 2012.
- The District had \$11,856,466 and \$11,529,524 in expenses for fiscal years 2013 and 2012; only \$2,465,331 for 2013 and \$2,588,073 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,430,807 for 2013 and \$9,853,582 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,963,514, in revenues and \$8,756,784 in expenditures for 2013, and \$9,063,787 in revenues and \$8,206,733 in expenditures in 2012. The General Fund's fund balance decreased by \$382,932 from 2012 to 2013, including a prior period adjustment of \$3,393, and increased by \$549,458, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$137,385 for 2013 and decreased by \$81,506 for 2012. The increase for 2013 was due primarily to the ongoing construction of facilities and the purchase of mobile equipment, furniture and equipment.
- Long-term debt decreased by \$341,689 for 2013 and increased by \$76,590 for 2012. This decrease was due primarily to principal payments. The liability for compensated absences decreased by \$10,084 for 2013 and increased by \$5,572 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.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers 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 the financial position of the District is improving or deteriorating.

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

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 years.

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

Fund Financial Statements

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

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

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:

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

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 and each additional major special revenue 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of government's financial position. Assets exceeded liabilities by \$4,705,510 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.

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

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</u> <u>Change</u>
Current assets	\$ 3,174,208	\$ 3,357,849	-5%
Restricted assets	446,291	709,172	-37%
Capital assets, net	<u>4,751,944</u>	<u>4,614,559</u>	3%
Total assets	<u>8,372,443</u>	<u>8,681,580</u>	-4%
Current liabilities	118,423	116,457	2%
Long-term debt outstanding	<u>3,548,510</u>	<u>3,890,199</u>	-9%
Total liabilities	<u>3,666,933</u>	<u>4,006,656</u>	-8%
Net Position:			
Net investment in capital assets	1,712,530	1,242,145	38%
Restricted	2,783,224	2,736,936	2%
Unrestricted	<u>209,756</u>	<u>695,843</u>	-70%
Total net position	<u>\$ 4,705,510</u>	<u>\$ 4,674,924</u>	1%

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

- Increase in net capital assets in the amount of \$137,385
- The principal retirement of \$347,635

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$11,896,138 and \$12,441,655, respectively. The total cost of all programs and services was \$11,856,466 for 2013 and \$11,529,524 for 2012.

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

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

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 443,415	\$ 426,107	4%
Operating grants and contributions	2,021,916	2,161,966	-6%
General Revenues			
Property taxes	2,919,505	2,812,434	4%
Grants and contributions not restricted	6,151,024	6,391,009	-4%
Unrestricted investment earnings	65,622	59,460	10%
Sixteenth section sources	273,615	560,459	-51%
Other	<u>21,041</u>	<u>30,220</u>	-30%
Total Revenues	<u>11,896,138</u>	<u>12,441,655</u>	-4%
Expenses:			
Instruction	6,539,610	6,536,624	0%
Support Services	4,376,761	4,059,789	8%
Non-instructional	737,286	740,291	0%
Sixteenth section	30,118	9,379	221%
Interest and other expenses on long-term liabilities	<u>172,691</u>	<u>183,441</u>	-6%
Total Expenses	<u>11,856,466</u>	<u>11,529,524</u>	3%
Increase in Net Position	39,672	912,131	-96%
Net position, July 1, as previously reported	4,674,924	3,762,793	24%
Prior period adjustment	<u>(9,086)</u>	<u>-</u>	N/A
Net position, July 1, as restated	<u>4,665,838</u>	<u>3,762,793</u>	24%
Net position, June 30	<u>\$ 4,705,510</u>	<u>\$ 4,674,924</u>	1%

PERRY 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 on long-term debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 6,539,610	\$ 6,536,624	0%
Support services	4,376,761	4,059,789	8%
Noninstructional	737,286	740,291	0%
Sixteenth section	30,118	9,379	221%
Interest and other expenses on long-term liabilities	<u>172,691</u>	<u>183,441</u>	-6%
Total expenses	<u><u>\$ 11,856,466</u></u>	<u><u>\$ 11,529,524</u></u>	3%

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ (5,336,884)	\$ (5,252,477)	2%
Support Services	(3,925,003)	(3,584,123)	10%
Noninstructional	40,216	21,630	86%
Sixteenth section	3,227	56,960	-94%
Interest and other expenses on long-term liabilities	<u>(172,691)</u>	<u>(183,441)</u>	-6%
Total net (expense) revenue	<u><u>\$ (9,391,135)</u></u>	<u><u>\$ (8,941,451)</u></u>	5%

- Net cost of governmental activities (\$9,391,135 for 2013 and \$8,941,451 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$2,919,505 for 2013 and \$2,812,434 for 2012) and state and federal revenues (\$6,151,024 for 2013 and \$6,391,009 for 2012). In addition, there was \$273,615 and \$560,459 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$65,622 for 2013 and \$59,460 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.

PERRY 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 \$3,547,717, an decrease of \$450,920, which includes a prior period adjustment of \$3,393, and an increase in inventory of \$53. \$513,752, or 14% 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 \$3,033,965 or 86% is either non spendable, restricted, committed, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed, or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$382,932, which includes a prior period adjustment of \$3,393. The fund balance of Other Governmental Funds showed a decrease in the amount of \$199,520, which includes an increase in inventory of \$53. The increase/ (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$ 83,532
Sixteenth Section Principal Fund	\$ 48,000

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$9,418,041, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$142,740 from 2012 due primarily to the ongoing construction of new school facilities and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year. The district also disposed of several items of mobile equipment and furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2013, was \$4,666,097, and total depreciation expense for the year was \$214,951, resulting in total net capital assets of \$4,751,944.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage of Change</u>
Land	\$ 58,108	\$ 58,108	0%
Construction in progress	236,831	-	N/A
Buildings	3,695,913	3,806,011	-3%
Building improvements	213,053	226,628	-6%
Mobile equipment	482,862	483,220	0%
Furniture and equipment	<u>65,177</u>	<u>40,592</u>	61%
Total	<u>\$ 4,751,944</u>	<u>\$ 4,614,559</u>	3%

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

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

Debt Administration. At June 30, 2013, the District had \$3,548,510 in outstanding long-term debt, of which \$408,556 is due within one year. The District also entered into a capital lease in the amount of \$16,030. The liability for compensated absences decreased \$10,084 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	\$ 53,000	\$ 106,000	-50%
Limited obligation bonds payable	1,045,000	1,215,000	-14%
Three mill notes payable	1,941,414	2,051,414	-5%
Obligation under capital leases	57,413	56,018	2%
Qualified school construction bonds payable	336,000	336,000	0%
Compensated absences payable	<u>115,683</u>	<u>125,767</u>	-8%
Total	<u>\$ 3,548,510</u>	<u>\$ 3,890,199</u>	-9%

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PERRY COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

**PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT A

		<u>Primary Government Governmental Activities</u>
ASSETS:		
Cash and cash equivalents	\$	2,747,466
Investments		82,782
Due from other governments		325,558
Inventories		18,402
Restricted assets		446,291
Capital assets, non-depreciable		-
Land		58,108
Construction in progress		236,831
Capital assets, net of accumulated depreciation		
Buildings		3,695,913
Improvements other than buildings		213,053
Mobile equipment		482,862
Furniture and equipment		<u>65,177</u>
TOTAL ASSETS		<u><u>8,372,443</u></u>
LIABILITIES:		
Accounts payable and accrued liabilities		72,399
Unearned revenue		383
Interest payable on long-term liabilities		45,641
Long-term liabilities (Due within one year)		
Capital related liabilities		388,000
Non-capital related liabilities		20,556
Long-term liabilities (Due beyond one year)		
Capital related liabilities		2,651,414
Non-capital related liabilities		<u>488,540</u>
TOTAL LIABILITIES		<u><u>3,666,933</u></u>
NET POSITION:		
Net investment in capital assets		1,712,530
Restricted net position:		
Expendable:		
School-based activities		1,142,510
Debt service		180,023
Forestry improvements		104,315
Unemployment benefits		31,663
Non-expendable:		
Sixteenth section		1,324,713
Unrestricted:		<u>209,756</u>
TOTAL NET POSITION	\$	<u><u>4,705,510</u></u>

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

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 6,539,610	\$ 266,846	\$ 935,880	\$ -	(5,336,884)
Support services	4,376,761	-	451,758	-	(3,925,003)
Non-instructional	737,286	143,224	634,278	-	40,216
Sixteenth section	30,118	33,345			3,227
Interest on long-term liabilities	172,691	-	-	-	(172,691)
Total governmental activities	\$ 11,856,466	443,415	2,021,916	-	(9,391,135)
Taxes:					
General purpose levies					2,717,219
Debt purpose levies					202,286
Unrestricted grants & contributions:					
State					5,439,336
Federal					711,688
Unrestricted investment earnings					65,622
Sixteenth section earnings					273,615
Other					21,041
Total General Revenues					9,430,807
Change in Net Position					39,672
Net Position - Beginning, as previously reported					4,674,924
Prior period adjustments					(9,086)
Net Position- Beginning, as restated					4,665,838
Net Position - Ending					\$ 4,705,510

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

PERRY COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

EXHIBIT C

	MAJOR FUNDS				Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
ASSETS:					
Cash and cash equivalents	\$ 1,660,085	\$ 542,584	\$ 349,654	\$ 544,797	\$ 3,097,120
Cash with fiscal agents	-	-	-	96,160	96,160
Investments	-	82,782	477	-	83,259
Due from other governments	100,942	-	-	223,536	324,478
Due from other funds	105,598	-	11,973	-	117,571
Advances to other funds	-	-	1,123,318	-	1,123,318
Inventories	-	-	-	18,402	18,402
TOTAL ASSETS	\$ 1,866,625	\$ 625,366	\$ 1,485,422	\$ 882,895	\$ 4,860,308
LIABILITIES & FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 12,482	\$ -	\$ -	\$ 59,917	\$ 72,399
Due to other funds	11,973	-	-	104,518	116,491
Advances from other funds	1,123,318	-	-	-	1,123,318
Unearned revenue	-	-	-	383	383
Total Liabilities	1,147,773	-	-	164,818	1,312,591
Fund Balances:					
Nonspendable:					
Advances	-	-	1,123,318	-	1,123,318
Inventory	-	-	-	18,402	18,402
Permanent fund principal	-	-	201,395	-	201,395
Restricted:					
Debt service	-	-	-	225,664	225,664
Forestry improvement purposes	-	-	-	104,315	104,315
Unemployment benefits	-	-	-	31,663	31,663
Food service	-	-	-	322,122	322,122
Sixteenth section interest funds	-	625,366	-	-	625,366
Other purposes	-	-	160,709	15,911	176,620
Assigned:					
Activity funds	203,387	-	-	-	203,387
Other purposes	1,713	-	-	-	1,713
Unassigned	513,752	-	-	-	513,752
Total Fund Balances	718,852	625,366	1,485,422	718,077	3,547,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,866,625	\$ 625,366	\$ 1,485,422	\$ 882,895	\$ 4,860,308

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

**PERRY COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT C-1

Total Fund Balance - Governmental Funds	\$	3,547,717
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Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

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

Land	58,108	
Construction in progress	236,831	
Buildings	6,374,283	
Improvements other than buildings	339,372	
Mobile equipment	1,754,079	
Furniture and equipment	655,368	
Accumulated Depreciation	<u>(4,666,097)</u>	4,751,944

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(53,000)	
Limited obligation bonds	(1,045,000)	
Other bonds payable	(336,000)	
Notes payable	(1,941,414)	
Capital lease obligations	(57,413)	
Accrued interest payable	(45,641)	
Compensated absences	<u>(115,683)</u>	<u>(3,594,151)</u>

Total Net Position - Governmental Activities	\$	<u><u>4,705,510</u></u>
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PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT D

	MAJOR FUNDS				Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Sixteenth Section Principal Fund			
Revenues:						
Local Sources	\$ 3,015,611	\$ -	\$ -	\$ 349,437	\$ 3,365,048	
State Sources	5,236,214	-	-	607,388	5,843,602	
Federal Sources	711,689	-	-	1,617,649	2,329,338	
Sixteenth Section Sources	-	276,593	48,000	33,557	358,150	
Total Revenues	<u>8,963,514</u>	<u>276,593</u>	<u>48,000</u>	<u>2,608,031</u>	<u>11,896,138</u>	
Expenditures:						
Instruction	5,029,722	-	-	1,391,849	6,421,571	
Support Services	3,664,456	-	-	761,285	4,425,741	
Noninstructional Services	-	-	-	737,843	737,843	
Sixteenth Section	-	47	-	30,071	30,118	
Facilities Acquisition and Construction	-	-	-	236,831	236,831	
Debt Service:						
Principal	14,635	-	-	333,000	347,635	
Interest	47,971	-	-	126,152	174,123	
Other	-	-	-	1,000	1,000	
Total Expenditures	<u>8,756,784</u>	<u>47</u>	<u>-</u>	<u>3,618,031</u>	<u>12,374,862</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>206,730</u>	<u>276,546</u>	<u>48,000</u>	<u>(1,010,000)</u>	<u>(478,724)</u>	
Other Financing Sources (Uses):						
Capital leases issued	16,030	-	-	-	16,030	
Sale of transportation equipment	5,909	-	-	-	5,909	
Sale of other property	2,419	-	-	-	2,419	
Operating Transfers In	274,218	-	-	891,631	1,165,849	
Operating Transfers Out	(891,631)	(193,014)	-	(81,204)	(1,165,849)	
Total Other Financing Sources (Uses)	<u>(593,055)</u>	<u>(193,014)</u>	<u>-</u>	<u>810,427</u>	<u>24,358</u>	
Net Change in Fund Balances	<u>(386,325)</u>	<u>83,532</u>	<u>48,000</u>	<u>(199,573)</u>	<u>(454,366)</u>	
Fund Balances:						
July 1, 2012, as previously reported	1,101,784	541,834	1,437,422	917,597	3,998,637	
Prior period adjustment	3,393	-	-	-	3,393	
Increase (Decrease) in inventory	-	-	-	53	53	
July 1, 2012, as restated	<u>1,105,177</u>	<u>541,834</u>	<u>1,437,422</u>	<u>917,650</u>	<u>4,002,083</u>	
June 30, 2013	<u>\$ 718,852</u>	<u>\$ 625,366</u>	<u>\$ 1,485,422</u>	<u>\$ 718,077</u>	<u>\$ 3,547,717</u>	

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

PERRY 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 - governmental funds \$ (454,366)

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

1.	Governmental fund 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	374,679	
	Depreciation expense	<u>(214,951)</u>	159,728
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in the net assets differs from the change in fund balance by the cost of the assets sold.		(9,864)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statements of activities.		
	Capital leases issued	(16,030)	
	Payments of debt principal	347,635	
	Accrued interest payable	<u>2,432</u>	334,037
4.	Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
	Change in compensated absences	10,084	
	Change in inventory	<u>53</u>	<u>10,137</u>
	Change in net assets of governmental activities		<u>\$ 39,672</u>

**PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2013**

EXHIBIT E

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 526,971
TOTAL ASSETS	526,971
LIABILITIES	
Accounts payable and accrued liabilities	510,109
Due to other funds	1,080
Due to student clubs	15,782
TOTAL LIABILITIES	\$ 526,971

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

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

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 was elected by the citizens of each defined county district.

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

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

PERRY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies (Continued)

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Sixteenth Section Interest Fund - This special revenue fund accounts for revenues the District's earnings from sixteenth section property and investments which is available for use by the district.

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

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

The District's fiduciary funds include the following:

Clearing Funds - Accounts for claims and payroll liabilities.

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.

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

(1) Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUNDS

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

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.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

(1) Summary of Significant Accounting Policies (Continued)

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 or fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

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.

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

1) Summary of Significant Accounting Policies (Continued)

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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 the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

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

1) Summary of Significant Accounting Policies (Continued)

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

1) Summary of Significant Accounting Policies (Continued)

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.

(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.

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,179,902 (which includes \$82,782 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$526,971, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$2,830,248 and restricted position - \$446,291.

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 \$3,916,799 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 \$96,160.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Government National Mortgage Association II	AAA	Various	477
Certificates of deposit		Less than 1 year	82,782
Total Investments			\$ 83,259

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.

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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. The credit quality rating of investments is based on Standard & Poor's analysis of the fund's credit quality, market price exposure and management.

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.

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General fund	Other Governmental Funds	\$ 104,518
General fund	Fiduciary Funds	1,080
16th Section Principal	General Fund	11,973
Totals		<u>\$ 117,571</u>

The purpose of the Due from/to other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	<u>\$ 1,123,318</u>
Totals		<u>\$ 1,123,318</u>

Sixteenth section principal loans payable

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

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

(3) Inter-fund Receivables, Payables and Transfers

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

Year Ending June 30	Principal	Interest	Total
2014	61,761	44,932	106,693
2015	64,232	42,462	106,694
2016	66,802	39,892	106,694
2017	69,472	37,221	106,693
2018	72,251	34,442	106,693
2019-2023	406,990	126,479	533,469
2024-2028	315,744	41,834	357,578
2029-2032	66,066	6,808	72,874
Total	<u>\$ 1,123,318</u>	<u>\$ 374,070</u>	<u>\$ 1,497,388</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 891,631
16th Section Interest Fund	General Fund	193,014
Other Governmental Funds	General Fund	81,204
Totals		<u>\$ 1,165,849</u>

(4) Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$349,654, and \$477, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$96,160 of the MAEP Limited Obligation Bond Fund.

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

(5) Capital Assets

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

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/2013</u>
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 58,108	\$ -	\$ -	\$ -	\$ 58,108
Construction in progress	-	236,831	-	-	236,831
Total non-depreciable capital assets	<u>58,108</u>	<u>236,831</u>	<u>-</u>	<u>-</u>	<u>294,939</u>
<u>Depreciable capital assets</u>					
Buildings	6,374,283	-	-	-	6,374,283
Building improvements	339,372	-	-	-	339,372
Mobile equipment	1,885,757	90,808	97,696	(124,790)	1,754,079
Furniture and equipment	617,781	47,040	9,453	-	655,368
Total depreciable capital assets	<u>9,217,193</u>	<u>137,848</u>	<u>107,149</u>	<u>(124,790)</u>	<u>9,123,102</u>
<u>Less accumulated depreciation</u>					
Buildings	2,568,272	110,098	-	-	2,678,370
Building improvements	112,744	13,575	-	-	126,319
Mobile equipment	1,402,537	68,918	87,927	112,311	1,271,217
Furniture and equipment	577,189	22,360	9,358	-	590,191
Total accumulated depreciation	<u>4,660,742</u>	<u>214,951</u>	<u>97,285</u>	<u>112,311</u>	<u>4,666,097</u>
Total depreciable capital assets, net	<u>4,556,451</u>	<u>(77,103)</u>	<u>9,864</u>	<u>(12,479)</u>	<u>4,457,005</u>
Governmental activities capital assets, net	<u>\$ 4,614,559</u>	<u>\$ 159,728</u>	<u>\$ 9,864</u>	<u>\$ (12,479)</u>	<u>\$ 4,751,944</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 125,098
Support	89,853
Total Depreciation Expense	<u>\$ 214,951</u>

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

(6) Long-term Liabilities

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

<u>Description</u>	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2013</u>	<u>Amounts due</u> <u>within</u> <u>one year</u>
A. General obligation bonds payable	\$ 106,000	\$ -	\$ 53,000	\$ 53,000	\$ 53,000
B. Limited obligation bonds payable	1,215,000	-	170,000	1,045,000	175,000
C. Three mill note payable	2,051,414	-	110,000	1,941,414	160,000
D. Qualified school construction bond payable	336,000	-	-	336,000	1,000
E. Obligations under capital lease	56,018	16,030	14,635	57,413	13,772
F. Compensated absences payable	<u>125,767</u>	<u>-</u>	<u>10,084</u>	<u>115,683</u>	<u>5,784</u>
	<u>\$ 3,890,199</u>	<u>\$ 16,030</u>	<u>\$ 357,719</u>	<u>\$ 3,548,510</u>	<u>\$ 408,556</u>

A. General obligation bonds payable

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
1. General obligation bonds					
Series 2004	3.17%	5/27/2004	12/1/2013	\$ 464,000	\$ 53,000
Total				<u>\$ 464,000</u>	<u>\$ 53,000</u>

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

2. General obligation bond issue of May 27, 2004:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 53,000	\$ 840	\$ 53,840
Total	<u>\$ 53,000</u>	<u>\$ 840</u>	<u>\$ 53,840</u>

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

A. General obligation bonds payable

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

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

(6) Long-term Liabilities (Continued)

A. General obligation bonds payable (continued)

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 less than 1% 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 are currently outstanding are as follows:

<u>Description</u>	<u>Interest</u>			<u>Amount</u>	<u>Amount</u>
	<u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
1. State aid capital improvement bonds, series 2009	3.0-4.0%	7/28/2009	2/1/2018	\$ 1,495,000	\$ 1,045,000
Total				<u>\$ 1,495,000</u>	<u>\$ 1,045,000</u>

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

1. Limited obligation bond issue of July 28, 2009:

<u>Year Ending</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 175,000	\$ 34,400	\$ 209,400
2015	185,000	29,150	214,150
2016	190,000	23,600	213,600
2017	190,000	17,900	207,900
2018	305,000	14,300	319,300
Total	<u>\$ 1,045,000</u>	<u>\$ 119,350</u>	<u>\$ 1,164,350</u>

The debt will be retired from the MAEP Interim Debt Service Fund.

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

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

(6) Long-term Liabilities (Continued)

C. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
1. Three mill note, series 2008	4.12%	4/1/2008	4/1/2025	\$ 2,250,000	\$ 1,941,414
Total				<u>\$ 2,250,000</u>	<u>\$ 1,941,414</u>

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

1. Three mill notes payable issue of April 1, 2008:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 160,000	\$ 80,134	\$ 240,134
2015	140,000	73,542	213,542
2016	145,000	67,774	212,774
2017	150,000	61,800	211,800
2018	160,000	55,472	215,472
2019-2023	855,000	174,154	1,029,154
2024-2025	<u>331,414</u>	<u>21,694</u>	<u>353,108</u>
Total	<u>\$ 1,941,414</u>	<u>\$ 534,570</u>	<u>\$ 2,475,984</u>

This debt will be retired from the Three Mill Note Debt Service Fund.

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

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

(6) Long-term Liabilities (Continued)

D. Qualified school construction bond payable

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

<u>Description</u>	<u>Interest</u>			<u>Amount</u>	<u>Amount</u>
	<u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Qualified school construction bonds, Series 2011	5.15%	9/16/2011	12/1/2023	\$ 400,000	\$ 336,000
Total				\$ 400,000	\$ 336,000

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1,000	17,304	18,304
2015	27,000	17,253	44,253
2016	27,000	15,862	42,862
2017	28,000	14,472	42,472
2018	24,000	13,030	37,030
2019-2023	168,000	45,219	213,219
2024-2027	61,000	3,142	64,142
Total	\$ 336,000	\$ 126,282	\$ 462,282

E. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of Band Uniforms and Band Equipment at a cost of \$56,018. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows.

1. After five (5) annual payments the lessee may exercise purchase option for \$1.00.

<u>Description</u>	<u>Interest</u>			<u>Amount</u>	<u>Amount</u>
	<u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Lease purchase agreement	2.80%	2/10/2012	7/10/2016	56,018	44,703
Lease purchase agreement	2.63%	7/10/2012	7/10/2016	\$ 16,030	\$ 12,710
Total				\$ 72,048	\$ 57,413

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

(6) Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 13,772	\$ 1,586	\$ 15,358
2015	14,152	1,206	15,358
2016	14,544	814	15,358
2017	<u>14,945</u>	<u>413</u>	<u>15,358</u>
Total	<u>\$ 57,413</u>	<u>\$ 4,019</u>	<u>\$ 61,432</u>

This debt will be retired from District Maintenance Fund.

F. Compensated absences payable

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

(7) Other Commitments

Operating leases:

The school district has several operating leases the following:

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

Lease expenditures for the year ended June 30, 2013, amounted to \$45,380.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 50,066
2015	17,348
2016	12,068
2017	<u>1,497</u>
	<u>\$ 80,979</u>

PERRY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

(8) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 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 \$872,343, \$774,591 and \$717,747, respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 81,772
2015	72,732
2016	30,582
2017	2,588
2018	1,524
2019-2023	1,024
Total	<u>\$ 190,222</u>

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

(10) Prior Period Adjustments

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

Exhibit B- Statement of Activities

Explanation	Amount
1. Buses disposed in previous years:	
Cost	\$ 124,790
Accumulated Depreciation	(112,311)
2. Correction of prior year accrual of an expenditures	<u>(3,393)</u>
Total	<u>\$ 9,086</u>

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

Explanation	Amount
General Fund	
1. Correction of prior year accrual of an expenditure	<u>\$ 3,393</u>
Total	<u>\$ 3,393</u>

(11) Contingencies

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

(12) Risk Management

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

(13) Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplementary interest, and such supplementary interest is the responsibility of the school district.

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

(13) Qualified School Construction Bonds

When the stated interest rate on the QSCB results in interest payments that exceed the supplementary interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplementary interest paid on a QSCB.

Payments of the principal amount of this Note shall be made to the Registered Owner. The District further promises to pay interest on such principal amount from the date of the note or from the most recent interest payment date to which interest has been paid at the per annum rate of interest. The district is, however, eligible for a refundable credit payment of the interest paid. The district must file a form 8038-CP with the Internal Revenue Service at least 45 days, but no more than 90 days, prior to each interest payment in order to receive the reimbursement.

(14) 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 Perry County School District evaluated the activity of the district through November 19, 2013, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1a

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ 2,837,831	\$ 3,015,611	\$ 3,015,611	\$ 177,780	\$ -
State Sources	5,200,796	5,236,214	5,236,214	35,418	-
Federal Sources	612,000	590,020	711,689	(21,980)	121,669
Total Revenues	<u>8,650,627</u>	<u>8,841,845</u>	<u>8,963,514</u>	<u>191,218</u>	<u>121,669</u>
Expenditures:					
Instruction	5,079,308	5,029,722	5,029,722	49,586	-
Support Services	3,255,803	3,542,787	3,664,456	(286,984)	(121,669)
Debt Service	94,920	62,606	62,606	32,314	-
Total Expenditures	<u>8,430,031</u>	<u>8,635,115</u>	<u>8,756,784</u>	<u>(205,084)</u>	<u>(121,669)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>220,596</u>	<u>206,730</u>	<u>206,730</u>	<u>(13,866)</u>	<u>-</u>
Other Financing Sources (Uses):					
Capital leases issued	-	16,030	16,030	16,030	-
Sale of transportation equipment	-	5,909	5,909	5,909	-
Sale of other property	-	2,419	2,419	2,419	-
Operating Transfers In	1,482,762	1,572,350	274,218	89,588	(1,298,132)
Operating Transfers Out	(1,858,343)	(2,189,763)	(891,631)	(331,420)	1,298,132
Total Other Financing Sources (Uses)	<u>(375,581)</u>	<u>(593,055)</u>	<u>(593,055)</u>	<u>(217,474)</u>	<u>-</u>
Net Change in Fund Balance	<u>(154,985)</u>	<u>(386,325)</u>	<u>(386,325)</u>	<u>(231,340)</u>	<u>-</u>
Fund Balances:					
July 1, 2012, as previously reported	1,101,784	1,101,784	1,101,784	-	-
Prior period adjustment	-	3,393	3,393	3,393	-
July 1, 2012, as restated	<u>1,101,784</u>	<u>1,105,177</u>	<u>1,105,177</u>	<u>3,393</u>	<u>-</u>
June 30, 2013	<u>\$ 946,799</u>	<u>\$ 718,852</u>	<u>\$ 718,852</u>	<u>\$ (227,947)</u>	<u>\$ -</u>

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

PERRY COUNTY SCHOOL DISTRICT
 SIXTEENTH SECTION INTEREST FUND
 FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1b

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 264,000	\$ 276,593	\$ 276,593	\$ 12,593	\$ -
Total Revenues	<u>264,000</u>	<u>276,593</u>	<u>276,593</u>	<u>12,593</u>	<u>-</u>
Expenditures:					
Sixteenth sources	-	47	47	(47)	-
Total Expenditures	<u>-</u>	<u>47</u>	<u>47</u>	<u>(47)</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>264,000</u>	<u>276,546</u>	<u>276,546</u>	<u>12,546</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating Transfers In	47,510	-	-	(47,510)	-
Operating Transfers Out	(200,000)	(193,014)	(193,014)	6,986	-
Total Other Financing Sources (Uses)	<u>(152,490)</u>	<u>(193,014)</u>	<u>(193,014)</u>	<u>(40,524)</u>	<u>-</u>
Net Change in Fund Balance	111,510	83,532	83,532	(27,978)	-
Fund Balances:					
July 1, 2012	541,834	541,834	541,834	-	-
June 30, 2013	<u>\$ 653,344</u>	<u>\$ 625,366</u>	<u>\$ 625,366</u>	<u>\$ (27,978)</u>	<u>\$ -</u>

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

PERRY COUNTY SCHOOL DISTRICT
Notes to the Required SUPPLEMENTARY Information
For the Year Ended June 30, 2013

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 and Sixteenth Section Interest Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**Perry County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures (\$)</i>
<i>Child Nutrition Cluster-Cluster</i>		
United States Department of Agriculture Direct Programs		
National School Lunch Program	10.555	\$467,881
School Breakfast Program	10.553	\$191,193
<i>Total United States Department of Agriculture Direct Programs</i>		<u>\$659,074</u>
<i>Total United States Department of Agriculture</i>		<u>\$659,074</u>
<i>Total Child Nutrition Cluster-Cluster</i>		<u>\$659,074</u>
<i>Special Education Cluster (IDEA)-Cluster</i>		
Department of Education Direct Programs		
Special Education_Grants to States	84.027	\$266,597
Special Education_Preschool Grants	84.173	\$8,600
<i>Total Department of Education Direct Programs</i>		<u>\$275,197</u>
<i>Total Department of Education</i>		<u>\$275,197</u>
<i>Total Special Education Cluster (IDEA)-Cluster</i>		<u>\$275,197</u>
<i>Other Programs</i>		
Department of Education Direct Programs		
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	\$412
<i>Total Department of Education</i>		<u>\$412</u>
Department of Education Direct Programs		
Title I Grants to Local Educational Agencies	84.010	\$494,488
<i>Total Department of Education</i>		<u>\$494,488</u>
Department of Education Direct Programs		
Career and Technical Education -- Basic Grants to States	84.048	\$38,143
Improving Teacher Quality State Grants	84.367	\$97,210
Rural Education	84.358	\$30,637
<i>Total Department of Education Direct Programs</i>		<u>\$165,990</u>
<i>Total Department of Education</i>		<u>\$165,990</u>
Federal Communications Commission Direct Programs		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	\$164,985
<i>Total Federal Communications Commission</i>		<u>\$164,985</u>
Department of Health and Human Services Direct Programs		
Medical Assistance Program	93.778	\$3,188
<i>Total Department of Health and Human Services</i>		<u>\$3,188</u>
<i>Total Other Programs</i>		<u>\$829,063</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$1,763,334</u>

**PERRY COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTES TO THE 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.

PERRY COUNTY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 8,673,097	\$ 5,835,857	\$ 368,375	\$ 804,433	\$ 1,664,432
Other	<u>3,701,765</u>	<u>585,714</u>	<u>148,717</u>	<u>47,080</u>	<u>2,920,254</u>
Total	<u>\$ 12,374,862</u>	<u>\$ 6,421,571</u>	<u>\$ 517,092</u>	<u>\$ 851,513</u>	<u>\$ 4,584,686</u>
 Total number of students *	 1,190				
Cost per student	\$ 10,399	\$ 5,396	\$ 435	\$ 716	\$ 3,853

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

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

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

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

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

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

PERRY COUNTY SCHOOL DISTRICT

OTHER INFORMATION

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
LAST FOUR YEARS

	<u>2013</u>	<u>2012**</u>	<u>2011**</u>	<u>2010**</u>
				"UNAUDITED"
Revenues:				
Local Sources	\$ 3,015,611	\$ 2,878,044	\$ 2,750,350	\$ 2,492,877
State Sources	5,236,214	5,413,861	5,002,631	5,247,572
Federal Sources	<u>711,689</u>	<u>771,882</u>	<u>740,325</u>	<u>677,719</u>
Total Revenues	<u>8,963,514</u>	<u>9,063,787</u>	<u>8,493,306</u>	<u>8,418,168</u>
Expenditures				
Instruction	5,029,722	4,967,006	4,313,538	4,638,008
Support Services	3,664,456	3,200,256	3,237,712	3,047,925
Noninstructional Services	-	-	-	2,400
Debt Service:				
Principal	14,635	-	-	-
Interest	<u>47,971</u>	<u>39,471</u>	<u>44,139</u>	<u>45,600</u>
Total Expenditures	<u>8,756,784</u>	<u>8,206,733</u>	<u>7,595,389</u>	<u>7,733,933</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>206,730</u>	<u>857,054</u>	<u>897,917</u>	<u>684,235</u>
OTHER FINANCING SOURCES (USES)				
Insurance Recovery	-	-	34,400	4,818
Capital Leases Issued	16,030	56,018	-	-
Sale of transportation equipment	5,909	-	2,374	-
Sale of other property	2,419	-	-	-
Operating Transfers In	274,218	206,666	413,789	262,078
Operating Transfers Out	<u>(891,631)</u>	<u>(570,280)</u>	<u>(676,677)</u>	<u>(689,761)</u>
Total Other Financing Sources (Uses)	<u>(593,055)</u>	<u>(307,596)</u>	<u>(226,114)</u>	<u>(422,865)</u>
NET CHANGE IN FUND BALANCES	<u>(386,325)</u>	<u>549,458</u>	<u>671,803</u>	<u>261,370</u>
FUND BALANCES:				
Beginning of period, as originally reported	1,101,784	552,326	(120,801)	(382,171)
Prior period adjustment	<u>3,393</u>	<u>-</u>	<u>1,324</u>	<u>-</u>
Beginning of period, as restated	<u>1,105,177</u>	<u>552,326</u>	<u>(119,477)</u>	<u>(382,171)</u>
 End of Period	 <u>\$ 718,852</u>	 <u>\$ 1,101,784</u>	 <u>\$ 552,326</u>	 <u>\$ (120,801)</u>

** Source - Prior year audit reports

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

"UNAUDITED"

	2013	2012**	2011**	2010**
Revenues:				
Local Sources	\$ 3,365,048	\$ 3,219,780	\$ 3,110,292	\$ 2,865,218
State Sources	5,843,602	6,044,399	5,653,298	5,851,273
Federal Sources	2,329,338	2,508,577	3,170,931	3,235,812
Sixteenth Section Sources	358,150	668,899	244,730	184,578
Total Revenues	<u>11,896,138</u>	<u>12,441,655</u>	<u>12,179,251</u>	<u>12,136,881</u>
Expenditures				
Instruction	6,421,571	6,407,626	6,496,494	6,937,525
Support Services	4,425,741	4,102,903	3,914,968	4,899,173
Noninstructional Services	737,843	734,822	699,379	724,839
Sixteenth Section	30,118	9,379	17,671	22,822
Facilities Acquisition & Construction	236,831	-	-	-
Debt Service:				
Principal	347,635	385,000	557,586	337,823
Interest	174,123	175,073	188,768	211,560
Debt issuance costs	-	-	-	33,155
Other	1,000	1,000	1,000	1,799
Total Expenditures	<u>12,374,862</u>	<u>11,815,803</u>	<u>11,875,866</u>	<u>13,168,696</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(478,724)</u>	<u>625,852</u>	<u>303,385</u>	<u>(1,031,815)</u>
Other Financing Sources (Uses)				
Bonds and Notes Issued	-	400,000	-	-
Capital Leases Issued	16,030	56,018	-	-
Refunding Bonds Issued	-	-	-	1,495,000
Premium on debt issuance	-	-	-	21,400
Insurance loss recoveries	-	-	34,400	4,818
Sale of transportation equipment	5,909	-	2,374	-
Sale of other equipment	2,419	-	-	-
Operating Transfers In	1,165,849	816,996	1,135,207	951,839
Payments Held by Escrow Agent	-	-	8,502	22,000
Operating Transfers Out	(1,165,849)	(816,996)	(1,135,207)	(951,839)
Payment to refunded bond escrow agent	-	-	-	(1,478,032)
Payment to QZAB debt escrow agent	-	-	(8,502)	(22,000)
Total Other Financing Sources (Uses)	<u>24,358</u>	<u>456,018</u>	<u>36,774</u>	<u>43,186</u>
Net Change in Fund Balance	<u>(454,366)</u>	<u>1,081,870</u>	<u>340,159</u>	<u>(988,629)</u>
Fund Balances:				
Beginning of period, as originally reported	3,998,637	2,921,042	2,581,248	3,568,711
Prior period adjustment	3,393	-	1,324	-
Beginning of period, as restated	<u>4,002,030</u>	<u>2,921,042</u>	<u>2,582,572</u>	<u>3,568,711</u>
Increase (Decrease) in Reserve for Inventory	<u>53</u>	<u>(4,275)</u>	<u>(1,689)</u>	<u>1,166</u>
End of Period	<u>\$ 3,547,717</u>	<u>\$ 3,998,637</u>	<u>\$ 2,921,042</u>	<u>\$ 2,581,248</u>

** Source - Prior year audit reports

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

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

Superintendent and School Board
Perry 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, each major fund, and the aggregate remaining fund information of Perry County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Perry County School District's basic financial statements, and have issued our report thereon dated November 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Perry 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 Perry County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Perry 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. 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.

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Compliance and Other Matters

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

Purpose of this Report

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.

Holt & Associates, PLLC

November 19, 2013



HOLT & ASSOCIATES, PLLC

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Perry County School District

Report on Compliance for Each Major Federal Program

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

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 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Perry County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Perry 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.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

Perry County School District's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. Perry County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Perry 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 Perry 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 Perry 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Holt & Associates, PLLC

November 19, 2013

PERRY COUNTY SCHOOL DISTRICT

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



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

Superintendent and School Board
Perry County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2013, which collectively comprise Perry County School District's basic financial statements and have issued our report thereon dated November 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$1.45 of classroom supply funds carried over from previous years.

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.

Holt & Associates, PLLC

November 19, 2013

PERRY COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|----------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified. |
| 2. | Noncompliance material to financial statements noted? | No. |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No. |
| | b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported. |

Federal Awards:

- | | | |
|----|--|----------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No. |
| | b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported. |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes. |
| 7. | Federal programs identified as major programs: | |
| | <u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u> | |
| | 84.010 Title I Grants to Local Educational Agencies | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes. |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Instances of Non-Compliance

Finding 2013-1

Program: Title I Grants To Local Education Agencies – CFDA# 84.010

Condition: While observing inventory purchased with federal monies, it was noted that equipment purchased was not properly tagged.

PERRY COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Criteria: Compliance with the equipment and real property management with federal laws pursuant to the grant agreement.

Effect: The school district did not comply with federal and legal compliance.

Recommendation: All school district equipment that is purchased with federal funds should be properly maintained and tagged for ownership of the school district. Federally funded equipment should be maintained as required by federal law.

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding:

2013-1:
Action:

Corrective Action Plan Details:

- a. Name of Contact Person Responsible for Corrective
Emma Jackson, Federal Program Director
- b. Corrective Action Planned:
Federal program director has been notified to properly code the purchase of Title I equipment and to properly tag the equipment. She will designate someone in the Title I office responsible for this.
- c. Anticipated Completion Date:
Immediately