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**Philadelphia Public School District**

Audited Financial Statements  
For the Year Ended June 30, 2012

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Philadelphia Public School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Philadelphia Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2012, which collectively comprise the Philadelphia Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Philadelphia Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 31, 2012

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS



PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

The following discussion and analysis of Philadelphia Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## FINANCIAL HIGHLIGHTS

- Total net assets for 2012 increased \$246,402, including a prior period adjustment of (\$8,758), which represents a 3.94% increase from fiscal year 2011. Total net assets for 2011 increased \$648,816, including a prior period adjustment of (\$2,483), which represents an 11.58% increase from fiscal year 2010.
- General revenues amounted to \$8,296,206 and \$7,968,059, or 77.35% and 74.31% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,429,620, or 22.65% of total revenues for 2012, and \$2,754,196, or 25.69% of total revenues for 2011.
- The District had \$10,470,666 and \$10,070,315 in expenses for fiscal years 2012 and 2011; only \$2,429,620 for 2012 and \$2,754,196 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,296,206 for 2012 and \$7,968,059 for 2011 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,654,778 in revenues and \$7,638,373 in expenditures for 2012, and \$7,092,136 in revenues and \$6,846,260 in expenditures in 2011. The General Fund's fund balance increased by \$670,325, including a prior period adjustment of (\$8,758) from 2011 to 2012, and increased by \$538,266, including a prior period adjustment of (\$2,483) from 2010 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$203,017 for 2012 and decreased by \$180,433 for 2011. The decrease for 2012 was due to primarily to the increase in accumulated depreciation.
- Long-term debt increased by \$180,899 for 2012 and decreased by \$170,896 for 2011. This increase for 2012 was due primarily to the issuance of three mill notes payable of \$600,000 net of the principal payments on outstanding long-term debt of \$419,101. The liability for compensated absences decreased by \$527 for 2012 and increased by \$5,479 for 2011.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-wide Financial Statements

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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

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

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$6,498,984 as of June 30, 2012.

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 2,324,625	\$ 1,935,679	20.09 %
Restricted assets	815,043	677,958	20.22 %
Capital assets, net	<u>7,930,986</u>	<u>8,134,003</u>	<u>(2.50) %</u>
<b>Total assets</b>	<b><u>11,070,654</u></b>	<b><u>10,747,640</u></b>	<b><u>3.01 %</u></b>
Current liabilities	146,141	249,901	(41.52) %
Long-term debt outstanding	<u>4,425,529</u>	<u>4,245,157</u>	<u>4.25 %</u>
<b>Total liabilities</b>	<b><u>4,571,670</u></b>	<b><u>4,495,058</u></b>	<b><u>1.70 %</u></b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,534,394	3,918,310	(9.80) %
Restricted	1,585,178	1,034,951	53.16 %
Unrestricted	<u>1,379,412</u>	<u>1,299,321</u>	<u>6.16 %</u>
<b>Total net assets</b>	<b><u>\$ 6,498,984</u></b>	<b><u>\$ 6,252,582</u></b>	<b><u>3.94 %</u></b>

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

- Decrease in net capital assets in the amount of \$203,017.
- The principal retirement of \$419,101 of long-term debt.
- The issuance of new long-term debt of \$600,000.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$10,725,826 and \$10,722,255, respectively. The total cost of all programs and services was \$10,470,666 for 2012 and \$10,070,315 for 2011.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Table 2  
Changes in Net Assets**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 250,709	\$ 280,252	(10.54) %
Operating grants and contributions	2,178,911	2,473,944	(11.93) %
General revenues:			
Property taxes	2,837,173	2,779,378	2.08 %
Grants and contributions not restricted	5,355,570	5,125,484	4.49 %
Investment earnings	50,062	45,074	11.07 %
Sixteenth section sources	10,876	8,530	27.50 %
Other	42,525	9,593	343.29 %
<b>Total revenues</b>	<b><u>10,725,826</u></b>	<b><u>10,722,255</u></b>	<b><u>0.03</u></b> %
<b>Expenses:</b>			
Instruction	5,566,471	5,734,415	(2.93) %
Support services	4,027,702	3,515,784	14.56 %
Non-instructional	752,041	704,896	6.69 %
Interest and other expenses on long-term liabilities	124,452	115,220	8.01 %
<b>Total expenses</b>	<b><u>10,470,666</u></b>	<b><u>10,070,315</u></b>	<b><u>3.98</u></b> %
<b>Special Items</b>	<b><u>-</u></b>	<b><u>(641)</u></b>	
<b>Increase (Decrease) in net assets</b>	<b><u>255,160</u></b>	<b><u>651,299</u></b>	<b><u>(60.82)</u></b> %
<b>Net Assets, July 1, as originally reported</b>	<b><u>6,252,582</u></b>	<b><u>5,603,766</u></b>	<b>11.58</b> %
<b>Prior Period Adjustment</b>	<b><u>(8,758)</u></b>	<b><u>(2,483)</u></b>	<b>252.72</b> %
<b>Net Assets, July 1, as restated</b>	<b><u>6,243,824</u></b>	<b><u>5,601,283</u></b>	<b>11.47</b> %
<b>Net Assets, June 30</b>	<b><u>\$ 6,498,984</u></b>	<b><u>\$ 6,252,582</u></b>	<b><u>3.94</u></b> %

**Governmental activities**

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ 5,566,471	\$ 5,734,415	(2.93) %
Support services	4,027,702	3,515,784	14.56 %
Non-instructional	752,041	704,896	6.69 %
Interest on long-term liabilities	124,452	115,220	8.01 %
<b>Total expenses</b>	<b><u>\$ 10,470,666</u></b>	<b><u>\$ 10,070,315</u></b>	<b><u>3.98 %</u></b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ (4,571,516)	\$ (4,417,230)	3.49 %
Support services	(3,334,696)	(2,810,033)	18.67 %
Non-instructional	(10,382)	26,364	(139.38) %
Interest on long-term liabilities	(124,452)	(115,220)	8.01 %
<b>Total net (expense) revenue</b>	<b><u>\$ (8,041,046)</u></b>	<b><u>\$ (7,316,119)</u></b>	<b><u>9.91 %</u></b>

- Net cost of governmental activities (\$8,041,046 for 2012 and \$7,316,119 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$2,837,173 for 2012 and \$2,779,378 for 2011) and state and federal revenues (\$5,355,570 for 2012 and \$5,125,484 for 2011). In addition, there was \$10,876 and \$8,530 in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$50,062 for 2012 and \$45,074 for 2011.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,023,028, an increase of \$627,690, which includes a prior period adjustment of (\$8,758) and a decrease in inventory of \$491. \$1,408,349 or 46.59% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,614,679 or 53.41% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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 \$670,325, which includes a prior period adjustment of (\$8,758). The fund balance of Other Governmental Funds showed a decrease in the amount of \$179,670, which includes a decrease in reserve for inventory of \$491. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA, Part B Fund	no increase or decrease
QZAB Bond Retirement Fund	\$ 137,035

### BUDGETARY HIGHLIGHTS

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

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2012, the District's total capital assets were \$12,715,831, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$60,191 from 2011. Total accumulated depreciation as of June 30, 2012, was \$4,784,845, and total depreciation expense for the year was \$322,811, resulting in total net capital assets of \$7,930,986.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 178,943	\$ 178,953	(0.01) %
Buildings	7,220,654	7,417,451	(2.65) %
Improvements other than buildings	75,249	75,249	0.00 %
Mobile equipment	282,801	345,238	(18.09) %
Furniture and equipment	173,339	117,112	48.01 %
<b>Total</b>	<b><u>\$ 7,930,986</u></b>	<b><u>\$ 8,134,003</u></b>	<b><u>(2.50) %</u></b>

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

**Debt Administration.** At June 30, 2012, the District had \$4,425,529 in outstanding long-term debt, of which \$448,219 is due within one year. The liability for compensated absences decreased \$527 from the prior year.

The District maintains an AA bond rating.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,190,000	\$ 1,365,000	(12.82) %
Limited obligation bonds payable	1,090,000	1,230,000	(11.38) %
Certificates of participation payable	135,000	164,000	(17.68) %
Three mill notes payable	600,000		
Shortfall notes payable	118,703	174,552	(32.00) %
Qualified zone academy bonds payable	1,200,000	1,200,000	0.00 %
Other loans payable	62,889	82,141	(23.44) %
Compensated absences payable	28,937	29,464	(1.79) %
<b>Total</b>	<u>\$ 4,425,529</u>	<u>\$ 4,245,157</u>	<u>4.25 %</u>

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

## CURRENT ISSUES

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

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

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

Enrollment for the 2011-2012 year increased by 2.54% to 1,129 students.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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



## FINANCIAL STATEMENTS

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Statement of Net Assets**  
**June 30, 2012**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,831,528
Due from other governments	480,918
Other receivables, net	389
Inventories	11,790
Restricted assets	815,043
Capital assets, non-depreciable:	
Land	178,943
Capital assets, net of accumulated depreciation:	
Buildings	7,220,654
Improvements other than buildings	75,249
Mobile equipment	282,801
Furniture and equipment	173,339
Total Assets	<u>11,070,654</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	115,385
Other payables	1,255
Interest payable on long-term liabilities	29,501
Long-term liabilities, due within one year:	
Capital related liabilities	448,219
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,948,373
Non-capital related liabilities	28,937
Total Liabilities	<u>4,571,670</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	3,534,394
Restricted for:	
Expendable:	
School-based activities	683,081
Debt service	876,341
Unemployment benefits	25,756
Unrestricted	1,379,412
Total Net Assets	<u>\$ 6,498,984</u>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 5,566,471	\$ 132,749	\$ 862,206		\$ (4,571,516)
Support services	4,027,702		693,006		(3,334,696)
Non-instructional	752,041	117,960	623,699		(10,382)
Interest on long-term liabilities	124,452				(124,452)
<b>Total Governmental Activities</b>	<b>\$ 10,470,666</b>	<b>\$ 250,709</b>	<b>\$ 2,178,911</b>		<b>\$ (8,041,046)</b>

General Revenues:

Taxes:

General purpose levies	2,500,132
Debt purpose levies	337,041

Unrestricted grants and contributions:

State	5,094,250
Federal	261,320
Unrestricted investment earnings	50,062
Sixteenth section sources	10,876
Other	42,525
<b>Total General Revenues</b>	<b>8,296,206</b>

Change in Net Assets 255,160

Net Assets - Beginning, as previously reported	6,252,582
Prior period adjustment	(8,758)
Net - Beginning, as restated	6,243,824
Net Assets - Ending	<b>\$ 6,498,984</b>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2012**

**Exhibit C**

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	QZAB Bond Retirement Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 1,714,440	\$ 430	\$ 4,301	-	\$ 112,357	\$ 1,831,528
Cash with fiscal agents	-	-	-	98	-	98
Investments	-	-	-	735,483	79,462	814,945
Due from other governments	184,088	93,034	32,506	-	171,290	480,918
Other receivables, net	389	-	-	-	-	389
Due from other funds	222,048	-	-	-	9,004	231,052
Inventories	-	-	-	-	11,790	11,790
Total assets	<u>\$ 2,120,965</u>	<u>\$ 93,464</u>	<u>\$ 36,807</u>	<u>735,581</u>	<u>\$ 383,903</u>	<u>\$ 3,370,720</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 106,179	\$ 430	\$ 1,196	-	\$ 7,580	\$ 115,385
Due to other funds	-	93,034	35,611	-	102,407	231,052
Other payable	1,255	-	-	-	-	1,255
Total Liabilities	<u>107,434</u>	<u>93,464</u>	<u>36,807</u>	<u>-</u>	<u>109,987</u>	<u>347,692</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	11,790	11,790
<b>Restricted:</b>						
Debt service	-	-	-	735,581	170,261	905,842
Unemployment benefits	-	-	-	-	25,756	25,756
Other purposes	-	-	-	-	65,321	65,321
<b>Assigned:</b>						
Special education	19,750	-	-	-	-	19,750
Activity funds	17,588	-	-	-	-	17,588
Impact Aid	10,208	-	-	-	-	10,208
Debt service	557,636	-	-	-	-	557,636
Other purposes	-	-	-	-	788	788
<b>Unassigned</b>	<u>1,408,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,408,349</u>
Total Fund Balances	<u>2,013,531</u>	<u>-</u>	<u>-</u>	<u>735,581</u>	<u>273,916</u>	<u>3,023,028</u>
Total Liabilities and Fund Balances	<u>\$ 2,120,965</u>	<u>\$ 93,464</u>	<u>\$ 36,807</u>	<u>735,581</u>	<u>\$ 383,903</u>	<u>\$ 3,370,720</u>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2012**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 3,023,028

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

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

Land	\$ 178,943	
Buildings	10,633,001	
Improvements other than buildings	400,627	
Mobile equipment	921,469	
Furniture and equipment	581,791	
Accumulated depreciation	<u>(4,784,845)</u>	7,930,986

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

Long-term liabilities	(4,396,592)	
Compensated absences	(28,937)	
Accrued interest payable	<u>(29,501)</u>	<u>(4,455,030)</u>

**Net assets of governmental activities** \$ 6,498,984

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2012

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	QZAB Bond Retirement Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 2,600,463	8,758		30,714	541,296	\$ 3,181,231
State sources	4,976,162	-			265,375	5,241,537
Federal sources	78,153	705,305	185,104		1,324,380	2,292,942
Sixteenth section sources					10,896	10,896
<b>Total Revenues</b>	<b>7,654,778</b>	<b>714,063</b>	<b>185,104</b>	<b>30,714</b>	<b>2,141,947</b>	<b>10,726,606</b>
<b>Expenditures:</b>						
Instruction	4,230,280	455,684	85,055		588,178	5,359,197
Support services	3,384,802	262,103	95,953		311,946	4,054,804
Noninstructional services	500	10,877	590		718,750	730,717
Debt service:						
Principal	19,252				399,849	419,101
Interest	3,539				120,439	123,978
Other					2,575	2,575
<b>Total Expenditures</b>	<b>7,638,373</b>	<b>728,664</b>	<b>181,598</b>	<b>-</b>	<b>2,141,737</b>	<b>10,690,372</b>
Excess (Deficiency) of Revenues over (under) Expenditures	16,405	(14,601)	3,506	30,714	210	36,234
<b>Other Financing Sources (Uses):</b>						
Notes issued	600,000					600,000
Sale of transportation equipment	1,485					1,485
Payment held by QZAB debt escrow agent				107,101		107,101
Payment to QZAB debt escrow agent				(107,881)		(107,881)
Operating transfers in	70,347	40,635		107,101	48,135	266,218
Operating transfers out	(9,154)	(26,034)	(3,506)		(227,524)	(266,218)
<b>Total Other Financing Sources (Uses)</b>	<b>662,678</b>	<b>14,601</b>	<b>(3,506)</b>	<b>106,321</b>	<b>(179,389)</b>	<b>600,705</b>
<b>Net Change in Fund Balances</b>	<b>679,083</b>	<b>-</b>	<b>-</b>	<b>137,035</b>	<b>(179,179)</b>	<b>636,939</b>
<b>Fund Balances:</b>						
July 1, 2011, as previously reported	1,343,206	-		598,546	453,586	2,395,338
Prior period adjustment	(8,758)					(8,758)
July 1, 2011, as restated	1,334,448	-	-	598,546	453,586	2,386,580
Increase (Decrease) in reserve for inventory	-	-	-	-	(491)	(491)
<b>June 30, 2012</b>	<b>\$ 2,013,531</b>	<b>\$ -</b>	<b>\$ -</b>	<b>735,581</b>	<b>273,916</b>	<b>\$ 3,023,028</b>

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2012**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 636,939

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

- Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets.

Capital outlay	\$ 133,761	
Fixed assets deleted, net	(13,967)	
Depreciation expense	<u>(322,811)</u>	(203,017)

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

Notes issued	(600,000)	
Payments of debt principal	419,101	
Accrued interest payable	<u>2,101</u>	(178,798)

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

Change in compensated absences	527	
Change in inventory reserve	<u>(491)</u>	
		<u>36</u>

**Change in net assets of governmental activities** \$ 255,160

PHILADELPHIA PUBLIC SCHOOL DISTRICT

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2012**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 376,972
Total Assets	<u>\$ 376,972</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 339,772
Due to student clubs	37,200
Total Liabilities	<u>\$ 376,972</u>



**Philadelphia Public School District**

Notes to the Financial Statements  
June 30, 2012

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

**A. Basis of Presentation**

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**B. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Philadelphia since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

**C. Government-wide and Fund Financial Statements**

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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

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

The school district reports the following major governmental funds:

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

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

EHA, Part B Fund – This special revenue fund is used to account for the program revenues of the Special Education Program.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund- This is the District's clearing fund used for payments of payroll and benefits.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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

**E. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

*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 School District Business Manager pursuant to authorization established by official School Board Policy.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

*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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 8% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,831,528 and \$376,972, respectively.



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

*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, 2012, none of the district's bank balance was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$98.

Investments

As of June 30, 2012, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
Federated US Treasury Cash Reserve	AAAm	less than one year	\$ 79,462
Municipal Bond	not rated	less than one year	1
FHLB	not rated	less than one year	735,482
Total			<u>\$ 814,945</u>

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

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

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

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2012, the district had the following investments:

Issuer	Value	Investments
Federated US Treasury Cash Reserve	\$ 79,462	10%
Municipal Bond	1	-
FHLB	735,482	90%

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I	\$ 93,034
	EHA, Part B	35,611
	Other governmental funds	93,403
Other governmental funds	Other governmental funds	9,004
Total		<u>\$ 231,052</u>

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

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 9,154
Title I Fund	General Fund	26,034
EHA, Part B Fund	General Fund	3,506
Other governmental funds	QZAB Debt Service Fund	107,101
	General Fund	40,807
	Title I	40,635
	Other governmental funds	38,981
Total		<u>\$ 266,218</u>

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agents and investment balance, totaling \$98 and \$735,483, respectively, of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the investment balance, totaling \$79,462 of the MAEP Limited Obligation Bond/Note Fund.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**Note 5 – Capital Assets**

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

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 178,953		\$ 10	\$ 178,943
Total non-depreciable capital assets	178,953	-	10	178,943
<u>Depreciable capital assets:</u>				
Buildings	10,633,001			10,633,001
Improvements other than buildings	400,627			400,627
Mobile equipment	981,819		60,350	921,469
Furniture and equipment	461,240	133,761	13,210	581,791
Total depreciable capital assets	12,476,687	133,761	73,560	12,536,888
<u>Less accumulated depreciation for:</u>				
Buildings	3,215,550	196,797		3,412,347
Improvements other than buildings	325,378			325,378
Mobile equipment	636,581	48,612	46,525	638,668
Furniture and equipment	344,128	77,402	13,078	408,452
Total accumulated depreciation	4,521,637	322,811	59,603	4,784,845
Total depreciable capital assets, net	7,955,050	(189,050)	13,957	7,752,043
Governmental activities capital assets, net	\$ 8,134,003	\$ (189,050)	\$ 13,967	\$ 7,930,986

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 206,955
Support services	95,604
Non-instructional	20,252
Total depreciation expense - Governmental activities	\$ 322,811

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts due within one year
A. General obligation bonds payable	\$ 1,365,000	\$	\$ 175,000	\$ 1,190,000	\$ 185,000
B. Limited obligation bonds payable	1,230,000		140,000	1,090,000	145,000
C. Certificates of participation payable	164,000		29,000	135,000	30,000
D. Three mill notes payable		600,000		600,000	10,000
E. Shortfall notes payable	174,552		55,849	118,703	58,155
F. Qualified zone academy bonds payable	1,200,000			1,200,000	
G. Other loans payable	82,141		19,252	62,889	20,064
H. Compensated absences payable	29,464		527	28,937	
Total	\$ 4,245,157	\$ 600,000	\$ 419,628	\$ 4,425,529	\$ 448,219

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.375- 6.25%	6/1/1998	6/1/2018	\$ 3,000,000	\$ 1,190,000

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 185,000	\$ 56,057	\$ 241,057
2014	195,000	47,270	242,270
2015	205,000	38,007	243,007
2016	215,000	28,270	243,270
2017	225,000	18,165	243,165
2018	165,000	7,590	172,590
Total	\$ 1,190,000	\$ 195,359	\$ 1,385,359

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2012, the amount of outstanding bonded indebtedness was equal to 2.16% of property assessments as of October 1, 2011.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds Series 2009	1.00-3.80%	7/15/2009	2/1/2018	\$ 1,465,000	\$ 1,090,000

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 145,000	\$ 31,225	\$ 176,225
2014	150,000	27,900	177,900
2015	150,000	24,000	174,000
2016	155,000	19,650	174,650
2017	160,000	14,685	174,685
2018	330,000	9,157	339,157
Total	\$ 1,090,000	\$ 126,617	\$ 1,216,617

This debt will be retired from the MAEP 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.

**C. Certificates of participation payable**

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Philadelphia Public School District trust certificates	6-6.75%	9/1/1995	9/1/2015	\$ 433,000	\$ 135,000

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 30,000	\$ 8,062	\$ 38,062
2014	33,000	5,974	38,974
2015	35,000	3,679	38,679
2016	37,000	1,249	38,249
Total	\$ 135,000	\$ 18,964	\$ 153,964

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

**D. Three mill notes payable**

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note	2.14%	5/1/2012	5/1/2019	\$ 600,000	\$ 600,000

Debt currently outstanding is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 10,000	\$ 19,153	\$ 29,153
2014	10,000	12,519	22,519
2015	10,000	12,305	22,305
2016	153,000	10,561	163,561
2017	155,000	7,265	162,265
2018-2019	262,000	4,986	266,986
Total	\$ 600,000	\$ 66,789	\$ 666,789

This debt will be retired from the 2012 3 Mill 10 Yr Loan Proceed Fund.

**E. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Commercial Bank	3.95%	9/1/2010	9/1/2013	\$ 174,552	\$ 118,703

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

Year Ending June 30	Principal	Interest	Total
2013	\$ 58,155	\$ 4,685	\$ 62,840
2014	60,548	1,407	61,955
Total	<u>\$ 118,703</u>	<u>\$ 6,092</u>	<u>\$ 124,795</u>

This debt will be retired from the District Maintenance Fund.

**F. Qualified zone academy bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds	0.00%	12/29/2005	12/29/2015	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

**G. Other loans payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Commercial Bank Loan	4.25%	9/16/2009	9/15/2014	<u>\$ 100,589</u>	<u>\$ 62,889</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 20,064	\$ 2,726	\$ 22,790
2014	20,934	1,857	22,791
2015	21,891	974	22,865
Total	<u>\$ 62,889</u>	<u>\$ 5,557</u>	<u>\$ 68,446</u>

This debt will be retired from the District Maintenance Fund.

**H. 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.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**Note 7 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. Postage Meter
2. Driver's Ed Car
3. Savin Copiers
4. Digital Mobile Radios

Lease expenditures for the year ended June 30, 2012, amounted to \$22,645.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2013	\$ 26,319
2014	24,932
2015	20,624
2016	20,431
2017	7,306
Total	<u>\$ 99,612</u>

**Note 8 – Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% 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, 2012, 2011 and 2010 were \$667,642, \$626,519 and \$674,211, respectively, which equaled the required contributions for each year.



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Refund of prior year indirect cost	\$ <u>(8,758)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	See above	\$ <u>(8,758)</u>

**Note 10 – Contingencies**

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

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

**Note 11 – Risk Management**

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 84 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

additional assessment for excess losses incurred by the pool.

**Note 12 – Trust Certificates**

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

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

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

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

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

**Note 13 – Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with W.G. Yates Construction, Inc., Turner Engineering Services, Barnett Mechanical and Electrical Contractors, Inc., and Wenzel and Associates, P.A. has entered into such an arrangement dated December 29, 2005.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before March 1. The amount on deposit at June 30, 2012 was \$735,581. The debt repayment shall be made from a 3 mill tax levy. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2013	\$ 106,321
2014	106,321
2015	106,321
2016	106,321
Total	<u>\$ 425,284</u>

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**Note 14 – Alternative School Consortium**

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

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

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

**Note 15 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Philadelphia-Neshoba County Vocational-Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the East Central Community College, Neshoba County School District, and Philadelphia Public School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

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

REQUIRED SUPPLEMENTAL INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplemental Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,609,287	\$ 2,630,254	\$ 2,600,463	\$ 20,967	\$ (29,791)
State sources	4,963,612	4,976,859	4,976,162	13,247	(697)
Federal sources	43,000	78,200	78,153	35,200	(47)
<b>Total Revenues</b>	<b>7,615,899</b>	<b>7,685,313</b>	<b>7,654,778</b>	<b>69,414</b>	<b>(30,535)</b>
<b>Expenditures:</b>					
Instruction	4,623,397	4,349,559	4,230,280	273,838	119,279
Support services	3,263,481	4,080,824	3,384,802	(817,343)	696,022
Noninstructional Services		695	500	(695)	195
Debt service:					
Principal	18,500	19,500	19,252	(1,000)	248
Interest	4,500	4,500	3,539		961
<b>Total Expenditures</b>	<b>7,909,878</b>	<b>8,455,078</b>	<b>7,638,373</b>	<b>(545,200)</b>	<b>816,705</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(293,979)	(769,765)	16,405	(475,786)	786,170
<b>Other Financing Sources (Uses):</b>					
Notes issued		600,000	600,000	600,000	
Insurance recovery	1,500	1,500			(1,500)
Sale of transportation equipment		1,485	1,485	1,485	
Operating transfers in	51,363	85,991	70,347	34,628	(15,644)
Operating transfers out	(28,979)	(16,795)	(9,154)	12,184	7,641
<b>Total Other Financing Sources (Uses)</b>	<b>23,884</b>	<b>672,181</b>	<b>662,678</b>	<b>648,297</b>	<b>(9,503)</b>
<b>Net Change in Fund Balances</b>	<b>(270,095)</b>	<b>(97,584)</b>	<b>679,083</b>	<b>172,511</b>	<b>776,667</b>
<b>Fund Balances:</b>					
July 1, 2011, as previously reported	1,187,152	1,187,152	1,343,206		156,054
Prior period adjustments		(8,758)	(8,758)	(8,758)	
July 1, 2011, restated	1,187,152	1,178,394	1,334,448	(8,758)	156,054
June 30, 2012	\$ 917,057	\$ 1,080,810	\$ 2,013,531	\$ 163,753	\$ 932,721

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplemental Information**

**Budgetary Comparison Schedule  
Title I Fund  
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$	\$ 8,758	\$ 8,758	\$ 8,758	\$
Federal sources	707,556	873,662	705,305	166,106	(168,357)
<b>Total Revenues</b>	<b>707,556</b>	<b>882,420</b>	<b>714,063</b>	<b>174,864</b>	<b>(168,357)</b>
<b>Expenditures:</b>					
Instruction	452,121	525,803	455,684	(73,682)	70,119
Support services	214,987	348,810	262,103	(133,823)	86,707
Noninstructional services	12,136	16,553	10,877	(4,417)	5,676
<b>Total Expenditures</b>	<b>679,244</b>	<b>891,166</b>	<b>728,664</b>	<b>(211,922)</b>	<b>162,502</b>
Excess (Deficiency) of Revenues over (under) Expenditures	28,312	(8,746)	(14,601)	(37,058)	(5,855)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in		50,000	40,635	50,000	(9,365)
Operating transfers out	(28,312)	(32,495)	(26,034)	(4,183)	6,461
<b>Total Other Financing Sources (Uses)</b>	<b>(28,312)</b>	<b>17,505</b>	<b>14,601</b>	<b>45,817</b>	<b>(2,904)</b>
<b>Net Change in Fund Balances</b>		<b>8,759</b>		<b>8,759</b>	<b>(8,759)</b>
<b>Fund Balances:</b>					
July 1, 2011					
June 30, 2012	\$	\$ 8,759	\$	\$ 8,759	\$ (8,759)

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplemental Information**

**Budgetary Comparison Schedule  
EHA Part B Fund  
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 273,296	\$ 274,794	\$ 185,104	\$ 1,498	\$ (89,690)
Total Revenues	273,296	274,794	185,104	1,498	(89,690)
<b>Expenditures:</b>					
Instruction	101,705	94,834	85,055	6,871	9,779
Support services	161,411	171,060	95,953	(9,649)	75,107
Noninstructional services	3,218	2,218	590	1,000	1,628
Total Expenditures	266,334	268,112	181,598	(1,778)	86,514
Excess (Deficiency) of Revenues over (under) Expenditures	6,962	6,682	3,506	(280)	(3,176)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(6,962)	(6,682)	(3,506)	280	3,176
Total Other Financing Sources (Uses)	(6,962)	(6,682)	(3,506)	280	3,176
Net Change in Fund Balances					
Fund Balances:					
July 1, 2011					
June 30, 2012	\$	\$	\$	\$	\$

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION



## **Philadelphia Public School District**

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2012

### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

## SUPPLEMENTAL INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Supplemental Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 164,344
National school lunch program	10.555	477,429
Summer food service program for children	10.559	17,578
Total child nutrition cluster		<u>659,351</u>
Total passed-through Mississippi Department of Education		<u>659,351</u>
<b>Total U.S. Department of Agriculture</b>		<u>659,351</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	10,431
Improving Teacher Quality State Grants	84.367	153,611
Rural education	84.358	12,000
Education Job Fund	84.410	183,167
Subtotal		<u>359,209</u>
Educational Technology State Grants cluster:		
Educational technology state grants	84.318	4,717
ARRA - Educational technology state grants, Recovery Act	84.386	109,285
Total Educational Technology State Grants cluster		<u>114,002</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	705,305
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	153,657
Total Title I cluster		<u>858,962</u>
Special education cluster:		
Special education - grants to states	84.027	185,105
Special education - preschool grants	84.173	11,720
ARRA - Special education grants to states, Recovery Act	84.391	2,279
ARRA - Special education - preschool grants, Recovery Act	84.392	22,150
Total special education cluster		<u>221,254</u>
Total passed-through Mississippi Department of Education		<u>1,553,427</u>
<b>Total U.S. Department of Education</b>		<u>1,553,427</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	23,952
<b>Total Federal Communications Commission</b>		<u>23,952</u>
Total for All Federal Awards		<u>\$ 2,236,730</u>

**NOTES TO SCHEDULE**

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2012**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 7,434,786	5,478,293	483,268	526,255	946,970
Other	<u>3,255,586</u>	<u>1,056,902</u>	<u>182,499</u>	<u>47,385</u>	<u>1,968,800</u>
Total	<u>\$ 10,690,372</u>	<u>6,535,195</u>	<u>665,767</u>	<u>573,640</u>	<u>2,915,770</u>
Total number of students *	<u>1,129</u>				
Cost per student	<u>\$ 9,469</u>	<u>5,788</u>	<u>590</u>	<u>508</u>	<u>2,583</u>

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

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

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

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

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

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

## OTHER INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 2,600,463	\$ 2,428,306	\$ 2,287,082	\$ 2,217,819
State sources	4,976,162	4,595,796	4,591,830	4,972,919
Federal sources	78,153	68,034	124,244	50,244
<b>Total Revenues</b>	<b>7,654,778</b>	<b>7,092,136</b>	<b>7,003,156</b>	<b>7,240,982</b>
<b>Expenditures:</b>				
Instruction	4,230,280	3,956,644	4,209,498	4,623,433
Support services	3,384,802	2,866,826	2,713,846	2,833,358
Noninstructional services	500			267
Facilities acquisition and construction			118,589	
Debt service:				
Principal	19,252	18,448		
Interest	3,539	4,342		
<b>Total Expenditures</b>	<b>7,638,373</b>	<b>6,846,260</b>	<b>7,041,933</b>	<b>7,457,058</b>
Excess (Deficiency) of Revenues over (under) Expenditures	16,405	245,876	(38,777)	(216,076)
<b>Other Financing Sources (Uses):</b>				
Notes issued	600,000			
Proceeds of loans		174,552	100,589	
Insurance recovery		4,498	1,280	5,765
Sale of transportation equipment	1,485			
Operating transfers in	70,347	133,060	78,672	45,289
Operating transfers out	(9,154)	(17,237)	(52,530)	(42,160)
<b>Total Other Financing Sources (Uses)</b>	<b>662,678</b>	<b>294,873</b>	<b>128,011</b>	<b>8,894</b>
<b>Net Change in Fund Balances</b>	<b>679,083</b>	<b>540,749</b>	<b>89,234</b>	<b>(207,182)</b>
<b>Fund Balances:</b>				
July 1, as previously reported	1,343,206	804,940	715,706	922,888
Prior period adjustments	(8,758)	(2,483)		
July 1, as restated	1,334,448	802,457	715,706	922,888
June 30,	\$ 2,013,531	\$ 1,343,206	\$ 804,940	\$ 715,706

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 3,181,231	\$ 3,114,473	\$ 2,966,826	\$ 2,908,125
State sources	5,241,537	4,913,719	4,961,883	5,431,971
Federal sources	2,292,942	2,685,708	2,613,419	1,791,685
Sixteenth section sources	10,896	9,133	60,113	9,381
<b>Total Revenues</b>	<b>10,726,606</b>	<b>10,723,033</b>	<b>10,602,241</b>	<b>10,141,162</b>
<b>Expenditures:</b>				
Instruction	5,359,197	5,525,784	5,972,248	5,801,081
Support services	4,054,804	3,543,712	3,198,593	3,271,576
Noninstructional services	730,717	708,148	655,193	652,577
Facilities acquisition and construction			118,589	
Debt service:				
Principal	419,101	345,448	1,700,000	284,000
Interest	123,978	118,003	141,366	167,130
Other	2,575	2,566	23,534	2,947
<b>Total Expenditures</b>	<b>10,690,372</b>	<b>10,243,661</b>	<b>11,809,523</b>	<b>10,179,311</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>36,234</b>	<b>479,372</b>	<b>(1,207,282)</b>	<b>(38,149)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	600,000	174,552	1,565,589	
Insurance recovery		4,498	1,280	5,765
Payment held by QZAB debt escrow agent	107,101	107,101	106,321	107,101
Payment to QZAB debt escrow agent	(107,881)	(107,881)	(106,321)	(107,101)
Sale of transportation equipment	1,485			
Special items		(641)		
Operating transfers in	266,218	257,398	228,361	194,550
Operating transfers out	(266,218)	(257,398)	(228,361)	(194,550)
<b>Total Other Financing Sources (Uses)</b>	<b>600,705</b>	<b>177,629</b>	<b>1,566,869</b>	<b>5,765</b>
<b>Net Change in Fund Balances</b>	<b>636,939</b>	<b>657,001</b>	<b>359,587</b>	<b>(32,384)</b>
<b>Fund Balances:</b>				
July 1, as previously reported	2,395,338	1,736,855	1,386,324	1,407,423
Prior period adjustments	(8,758)	(2,483)		
July 1, as restated	2,386,580	1,734,372	1,386,324	1,407,423
Increase (Decrease) in reserve for inventory	(491)	3,965	(9,056)	11,285
June 30,	\$ 3,023,028	\$ 2,395,338	\$ 1,736,855	\$ 1,386,324

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Philadelphia Public School District

We have audited the financial statements of the Philadelphia Public School District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Philadelphia Public School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Philadelphia Public School District's financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
October 31, 2012

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Philadelphia Public School District

**Compliance**

We have audited the Philadelphia Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Philadelphia Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Philadelphia Public School District's management. Our responsibility is to express an opinion on the Philadelphia Public School District's compliance based on our audit.

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

In our opinion, the Philadelphia Public School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the Philadelphia Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Philadelphia Public School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to

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determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
October 31, 2012

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Philadelphia Public School District

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

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

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

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

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

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

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

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

*FORTENBERRY & BALLARD, PC* |

Fortenberry & Ballard, PC  
October 31, 2012

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



**Philadelphia Public School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010 & 84.389	Title I Cluster

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

Section II: Financial Statement Findings

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

### Section III: Findings and Questioned Costs for Federal Awards

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

AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

**Philadelphia Public School District**  
248 Byrd Avenue  
Philadelphia Public, MS 39350  
**Dr. Joseph V. White - Superintendent**  
**Sandra Martin - Business Manager**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

As required by Section \_\_\_\_\_.315(b) of OMB Circular A-133, the Philadelphia Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2012:

<u>Finding</u>	<u>Status</u>
2011-01	Corrected