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CITY OF PEARL, MISSISSIPPI

Audited Financial Statements
And
Special Reports

For the Year Ended September 30, 2014

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CITY OF PEARL

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-4
BASIC FINANCIAL STATEMENTS	5
Government-wide Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	8-9
Statement of Revenues, Expenditures and Changes in Fund Balances	10-11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Proprietary Funds:	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Fund Net Position	14
Statement of Cash Flows	15
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	16
Notes to Financial Statements	17-36
REQUIRED SUPPLEMENTARY INFORMATION	37
Budget Comparison Schedules – Budget and Actual (Non-GAAP Basis)	
General Fund	38
Police Forfeiture/Seizure Fund	39
Notes to the Required Supplementary Information	40
SUPPLEMENTAL INFORMATION	41
Schedule of Surety Bonds for Municipal Officials	42
Schedule of Expenditures of Federal Awards	43-44
SPECIAL REPORTS	45
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*	46-47
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	48-49
Independent Auditor's Report on Compliance with State Laws and Regulations	50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	51-55

CITY OF PEARL

INDEPENDENT AUDITOR'S REPORT

Windham and Lacey, PLLC

Certified Public Accountants

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Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Honorable Mayor and
Members of the Board of Aldermen
City of Pearl, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the city's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Basis for Qualified Opinion on Governmental Activities and Business-type Activities

As discussed in Note 4.H. to the financial statements, the City has not recorded a liability for other postemployment benefits in the governmental activities and the business-type activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities and business-type activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities and business-type activities is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter discussed in "Basis for Qualified Opinions on Governmental Activities and Business-type Activities", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, of the City of Pearl, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

The City of Pearl, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

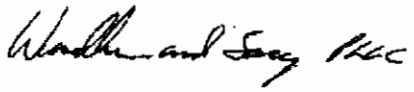
Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pearl, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Sueh information is the responsibility of management and was derived from and relates direetly to the underlying aecounting and other records used to prepare the basie financial statements. The Sehedule of Expenditures of Federal Awards has been subjeeted to the auditing procedures applied in the audit of the basic finaneial statements and certain additional proeedures, including eomparing and reconciling such information directly to the underlying aceounting and other records used to prepare the basic 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, on our consideration of the City of Pearl, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pearl, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC
May 22, 2015

CITY OF PEARL

BASIC FINANCIAL STATEMENTS

The basic financial statements included integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements:

Governmental funds

Proprietary (enterprise) fund

Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to user's understanding of the basic financial statements

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City of Pearl
Statement of Net Position
September 30, 2014

Exhibit 1

		Governmental Activities	Business-type Activities	Total
ASSETS				
Current Assets:				
Cash and investments	$	910,717	223,475	1,134,192
Property tax receivable		6,513,077		6,513,077
Fines receivable (net of allowance for uncollectibles of $2,924,085)		283,658		283,658
Accounts receivable, net			1,012,637	1,012,637
Other receivables		2,392,930	265,305	2,658,235
Internal balances		1,198,886	(1,198,886)	
Sales tax receivable		1,586,774		1,586,774
Total current assets		12,886,042	302,531	13,188,573
Noncurrent Assets:				
Restricted cash		1,208,351	211,069	1,419,420
Home Grant receivable		474,000		474,000
Capital assets, net		65,523,407	14,672,252	80,195,659
Total noncurrent assets		67,205,758	14,883,321	82,089,079
Total Assets	$	80,091,800	15,185,852	95,277,652
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	$	106,543	0	106,543
LIABILITIES				
Current Liabilities:				
Claims payable	$	1,928,154	65,125	1,993,279
Accrued interest payable		360,633	43,589	404,222
Unearned revenue		791,486		791,486
Other payables		30,144		30,144
Current portion of long-term debt		4,388,684	460,764	4,849,448
Total current liabilities		7,499,101	569,478	8,068,579
Noncurrent Liabilities:				
Long-term liabilities due in more than one year		36,222,274	6,257,102	42,479,376
Customer meter deposits payable			388,575	388,575
Escrowed seizure funds payable		591,268		591,268
Total noncurrent liabilities		36,813,542	6,645,677	43,459,219
Total Liabilities	$	44,312,643	7,215,155	51,527,798
DEFERRED INFLOWS OF RESOURCES				
Property tax for future periods	$	6,358,385	0	6,358,385
NET POSITION				
Net investment in capital assets		25,220,362	7,988,423	33,363,217
Restricted for:				
Debt service		1,763,845		1,763,845
Public safety		1,561,269		1,561,269
Public works		571,239		571,239
Capital improvements		1,494,194	29,004	1,523,198
Unrestricted		(1,083,594)	(46,730)	(1,284,756)
Total Net Position	$	29,527,315	7,970,697	37,498,012

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

City of Pearl
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:							
Governmental Activities:							
General government	$ 3,399,415				(3,399,415)		(3,399,415)
Public safety	11,209,701	2,763,184	29,456	194,766	(8,222,295)		(8,222,295)
Public works	7,899,284	1,453,332	234,555	2,238,500	(3,972,897)		(3,972,897)
Health and welfare	486,210	314,739			(171,471)		(171,471)
Culture and recreation	1,634,455	1,136,909	203,363		(294,183)		(294,183)
Interest on long-term debt	1,483,048				(1,483,048)		(1,483,048)
Total Governmental Activities	26,112,113	5,668,164	467,374	2,433,266	(17,543,309)	0	(17,543,309)
Business-type Activities:							
Water/Sewer	8,438,635	8,141,326				(297,309)	(297,309)
Total Business-type Activities	8,438,635	8,141,326	0	0	0	(297,309)	(297,309)
Total Primary Government	$ 34,550,748	13,809,490	467,374	2,433,266	(17,543,309)	(297,309)	(17,840,618)
General Revenues							
Taxes:							
Property taxes					$ 5,103,543		5,103,543
Road & bridge privilege taxes					935,777		935,777
Other revenue from developer					265,000		265,000
Sales tax					9,636,905		9,636,905
Franchise taxes					885,773		885,773
Grants and contributions not restricted to specific programs					624,307		624,307
Unrestricted investment income					2,425	380	2,805
Miscellaneous					538,994	46,108	585,102
Transfers					(29,127)	29,127	
Total General Revenues					17,963,597	75,615	18,039,212
Change in Net Assets					420,288	(221,694)	198,594
Net Position - Beginning					28,751,165	8,192,391	36,943,556
Prior period adjustment					355,862		355,862
Net Position - Ending					$ 29,527,315	7,970,697	37,498,012

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

City of Pearl
Balance Sheet
Governmental Funds
September 30, 2014

Exhibit 3

	Major Governmental Funds						
	General Fund	Police Forfeiture/ Seizure Fund	Debt Service Fund	Capital Project Bond Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ (2,674,746)	2,061,366	426,690	12,520	335,591	576,451	737,872
Property tax receivable	2,098,163		4,414,913				6,513,076
Fines receivable (net of allowance for uncollectibles of $2,924,085)	283,658						283,658
Sales tax receivable	1,586,774						1,586,774
Other receivables	38,283		(1,645)				36,638
Due from state	418,394	8,511			1,664,387		2,091,292
Due from other funds	1,991,799	88,500	134,871		350,000	1,047,330	3,612,500
Total Assets	$ 3,742,325	2,158,377	4,974,829	12,520	2,349,978	1,623,781	14,861,810
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Claims payable	$ 36,901	676			1,888,172	2,405	1,928,154
Due to other taxing units	28,944						28,944
Due to other funds	1,859,288	5,164				504,269	2,368,721
Other liabilities	792,686						792,686
State and federal seized funds escrow		591,268					591,268
Total Liabilities	2,717,819	597,108	0	0	1,888,172	506,674	5,709,773
Deferred Inflows of Resources:							
Property tax for future periods	2,034,683		4,323,702				6,358,385
Unavailable revenue - fines	283,658						283,658
Total Deferred Inflows of Resources	2,318,341	0	4,323,702	0	0	0	6,642,043
Fund Balances:							
Restricted:							
Public safety		1,561,269					1,561,269
Committed:							
Debt service			651,127				651,127
Public works						571,239	571,239
Capital projects				12,520	461,806	545,868	1,020,194
Unassigned	(1,293,835)						(1,293,835)
Total Fund Balances	(1,293,835)	1,561,269	651,127	12,520	461,806	1,117,107	2,509,994
Total Liabilities and Fund Balances	$ 3,742,325	2,158,377	4,974,829	12,520	2,349,978	1,623,781	

City of Pearl
Balance Sheet
Governmental Funds
September 30, 2014

Exhibit 3 (Continued)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets net of depreciation as of October 1, 2013	62,973,052	
Plus capital outlay expenditures made during the year	5,255,348	
Less depreciation expense recorded during the year	(2,692,729)	
Less assets disposed (net)	(12,264)	65,523,407
Receivable from developer		265,000
Fine receivables that have accrued at year-end but are not available to liquidate liabilities of the current period are not reported in the funds.		283,658
Long-term note receivable is not available in the current period		474,000
Deferred amount on bond refunding		106,543
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		104,358
Amounts charged to business-type activities by the internal service fund are due to governmental activities.		23,595
Accrued interest payable is not a current liability payable from current assets.		(360,633)
Cash with trustee from issuance of long-term refunding notes and certificates of participation.		1,208,352
Liabilities not due and payable in the current period are not reported in the funds:		
Long-term liabilities		(40,610,959)
Net Position of Governmental Activities		$ 29,527,315

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

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City of Pearl
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

Exhibit 4

	Major Governmental Funds						
	General Fund	Police Forfeiture/ Seizure Fund	Debt Service Fund	Capital Project Bond Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	$ 2,336,770		2,766,773				5,103,543
Road & bridge privilege tax	935,777						935,777
Licenses and permits	314,363						314,363
Fines and forfeitures	1,681,582						1,681,582
Intergovernmental revenues	11,108,534	1,086,072	358,900		2,235,699	136,745	14,925,950
Charges for services	1,284,140					1,453,332	2,737,472
Interest income	702	566	632		212	205	2,317
Miscellaneous	524,902	44,941	303,056			4,257	877,156
Total Revenues	18,186,770	1,131,579	3,429,361	0	2,235,911	1,594,539	26,578,160
EXPENDITURES							
Current:							
General government	2,998,063		444,549				3,442,612
Public safety	9,869,919	630,902				3,009	10,503,830
Public works	2,756,856			4,695,630	2,439,072	1,946,970	11,838,528
Health and welfare	429,612						429,612
Culture and recreation	1,230,179						1,230,179
Debt service:							
Principal	472,448	456,298	3,506,029			108,740	4,543,515
Interest	52,837	227,263	972,592			7,127	1,259,819
Total Expenditures	17,809,914	1,314,463	4,923,170	4,695,630	2,439,072	2,065,846	33,248,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	376,856	(182,884)	(1,493,809)	(4,695,630)	(203,161)	(471,307)	(6,669,935)

City of Pearl
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

Exhibit 4 (Continued)

	Major Governmental Funds						
	General Fund	Police Forfeiture/ Seizure Fund	Debt Service Fund	Capital Project Bond Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Proceed of capital lease	194,979	226,396					421,375
Proceeds of notes	1,000,000				515,000		1,515,000
Proceeds of bonds						275,000	275,000
Cash to bond/note trustee				4,682,309			4,682,309
Transfers in	1,106,595		1,826,965		281,452	126,827	3,341,839
Transfers out	(2,188,556)		(583,972)		(492,261)	(45,351)	(3,310,140)
Total Other Financing Sources and Uses	113,018	226,396	1,242,993	4,682,309	304,191	356,476	6,925,383
Net Change in Fund Balances	489,874	43,512	(250,816)	(13,321)	101,030	(114,831)	255,448
Fund Balances - Beginning	(1,783,709)	25,595	901,943	25,841	360,776	1,231,938	762,384
Prior period adjustment	0	1,492,162	0	0	0	0	1,492,162
Fund Balances - Ending	$ (1,293,835)	1,561,269	651,127	12,520	461,806	1,117,107	2,509,994

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

City of Pearl
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

Exhibit 5

		Amount
Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4)	$	255,448
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays ($5,255,348) exceeded depreciation ($2,692,729) and asset disposals ($12,264).		2,550,355
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.		(36,313)
The change in the amounts due from developers was not recognized as revenue in the fund in the current period.		(709)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds ($2,211,375) was exceeded by debt repayment ($4,543,515).		2,332,140
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued bond interest expense		32,570
Change in compensated absences		51,269
Governmental funds report the effect of refunding costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Amortization of bond refunding costs		(8,196)
Amortization of premium on notes payable		17,146
Change in due from business-type activities to governmental activities for internal service fund costs.		(25,630)
An internal service fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.		198,878
Trustee payments for fixed assets from certificates of participation		(4,682,309)
Interest earned on cash with trustee		388
Interest on certificates of participation paid from cash with trustee		(264,749)
Change in Net Position of Governmental Activities (Exhibit 2)	$	420,288

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

City of Pearl
Statement of Net Position
Proprietary Funds
September 30, 2014

Exhibit 6

	Business-type Activity Enterprise Funds			Internal Service Fund
	Water/Sewer	Water/Sewer Improvements	Total	Self-Insurance
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 194,471	29,004	223,475	172,845
Accounts receivable, net	1,012,637		1,012,637	
Due from other funds	101,068		101,068	
Other current assets	265,305		265,305	
Total current assets	1,573,481	29,004	1,602,485	172,845
Noncurrent assets:				
Restricted cash and cash equivalents	211,069		211,069	
Capital assets, net	14,672,252		14,672,252	
Total noncurrent assets	14,883,321	0	14,883,321	0
Total Assets	$ 16,456,802	29,004	16,485,806	172,845
LIABILITIES				
Current Liabilities:				
Claims payable	$ 65,125		65,125	
Accrued interest payable	43,589		43,589	
Due to other funds	1,299,954		1,299,954	68,487
Current portion of long-term debt	460,764		460,764	
Total current liabilities	1,869,432	0	1,869,432	68,487
Noncurrent Liabilities:				
Long-term liabilities	6,257,102		6,257,102	
Customer meter deposits payable	388,575		388,575	
Total noncurrent liabilities	6,645,677	0	6,645,677	0
Total Liabilities	8,515,109	0	8,515,109	68,487
NET POSITION				
Net investment in capital assets	7,988,423		7,988,423	
Restricted for capital improvements		29,004	29,004	
Unrestricted	(46,730)		(46,730)	104,358
Total Net Position	$ 7,941,693	29,004	7,970,697	104,358

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

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City of Pearl
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2014

Exhibit 7

	Business-type Activity Enterprise Funds			Internal Service Fund
	Water/Sewer	Water/Sewer Improvements	Total	Self-Insurance
OPERATING REVENUES				
Charges for services	$ 8,141,326		8,141,326	87,098
Miscellaneous revenue				6,424
City and employee contributions				2,096,760
Total Operating Revenues	8,141,326	0	8,141,326	2,190,282
OPERATING EXPENSES				
Personal services	1,557,126		1,557,126	
Contractual services	439,538		439,538	
Materials and supplies	206,299		206,299	
Maintenance	783,870		783,870	
Utilities	445,948		445,948	
West Rankin charges	3,659,936		3,659,936	
Depreciation expense	830,222		830,222	
Other operating expenses	125,076		125,076	
Medical claim payments and insurance				1,930,685
Total Operating Expenses	8,048,015	0	8,048,015	1,930,685
Operating Income (Loss)	93,311	0	93,311	259,597
NONOPERATING REVENUES (EXPENSES)				
Interest income	305	75	380	108
Interest expense	(248,227)		(248,227)	
Other expense	(142,393)		(142,393)	
Other income	46,108		46,108	
Transfers in	462,792		462,792	
Transfers out	(433,665)		(433,665)	(60,827)
Total Nonoperating Revenue (Expenses)	(315,080)	75	(315,005)	(60,719)
Change in Net Position	(221,769)	75	(221,694)	198,878
Total Net Position - Beginning	8,163,462	28,929	8,192,391	(94,520)
Total Net Position - Ending	$ 7,941,693	29,004	7,970,697	104,358

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

City of Pearl
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

Exhibit 8

	Business-type Activity Enterprise Funds			Internal Service Fund
	Water/Sewer	Water/Sewer Improvements	Total	Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 8,120,438		8,120,438	
Receipts from internal services provided				2,190,282
Payments to suppliers and employees	(7,799,263)		(7,799,263)	
Payments for insurance claims				(2,055,685)
Net Cash Provided (Used) by Operating Activities	321,175	0	321,175	134,597
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other revenues	46,108		46,108	
Transfers in (out)/change in interfund payables	475,853		475,853	(60,827)
Net Cash Provided (Used) by Noncapital Financing Activities	521,961	0	521,961	(60,827)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(17,551)		(17,551)	
Principal paid on long-term debt	(512,544)		(512,544)	
Interest expense paid	(261,385)		(261,385)	
Net Cash Provided (Used) by Capital Financing Activities	(791,480)	0	(791,480)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	305	75	380	108
Net Increase (Decrease) in Cash and Cash Equivalents	51,961	75	52,036	73,878
Cash and Cash Equivalents - Beginning of Year	353,579	28,929	382,508	98,967
Cash and Cash Equivalents - End of Year	$ 405,540	29,004	434,544	172,845
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 93,311	0	93,311	259,597
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	830,222		830,222	
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	19,619		19,619	
(Increase) decrease in other current assets	54,400		54,400	
Increase (decrease) in claims payable	(553,959)		(553,959)	(193,487)
Increase (decrease) in other payables	(17,088)		(17,088)	68,487
Increase (decrease) in customer deposits	(94,907)		(94,907)	
Increase (decrease) in compensated absences	(10,423)		(10,423)	
Total adjustments	227,864	0	227,864	(125,000)
Net Cash Provided (Used) by Operating Activities	$ 321,175	0	321,175	134,597

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

City of Pearl
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 9

		Agency Funds
ASSETS		
Cash and investments	$	74,366
Total Assets	$	74,366
LIABILITIES		
Due to state treasury	$	72,849
Due to school taxing district		1,517
Total Liabilities	$	74,366

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

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CITY OF PEARL

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Pearl (City) is a code-charter municipality governed by an elected mayor and seven aldermen. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of such a potential component unit addressed in defining the City's reporting entity:

> Excluded from the reporting entity is the Pearl Separate School District. This potential component unit has a separate board appointed by the City that approves their annual budget. This potential component unit was excluded from the reporting entity because the City does not have the ability to exercise influence over their daily operations.

There are no other potential component units.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes 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 Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Fund financial statements of the city are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Shared revenues are recognized when the provider government recognizes the liability to the City. Agency Funds have no measurement focus, but use the accrual basis of accounting.

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. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *police forfeiture/seizure fund* accounts for funds seized during policing activities and held in escrow until released by courts.

The *debt service fund* is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing.

The *capital project bond fund* is used to account for the issuance of the general obligation bonds and the acquisition and construction of infrastructure.

The *capital improvements fund* is used to account for the issuance of general obligation debt and the acquisition and construction of infrastructure.

The City reports the following major Proprietary Funds:

The *water and sewer fund* accounts for the activities of the water and sewer system.

The *water/sewer improvements fund* accounts for construction projects for the water and sewer system.

Additionally the City reports the following fund types:

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises.

Internal Service Funds account for employee health insurance provided to other departments of the City on a cost reimbursement basis.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the City, acting in capacity of an agent, for distribution to other governmental units.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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The City's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity.

1. Deposits.

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of 14 days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

2. Receivables and Payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible accounts, where applicable.

3. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

4. Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. The City met those criteria and retroactively reported major general infrastructure assets. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. Interest cost incurred during the construction of Proprietary Fund capital assets is capitalized as part of the cost of construction. Donated capital assets are recorded at their fair value at the time of donation.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	N/A
Infrastructure	20-50
Buildings	40
Improvements other than buildings	20
Machinery and equipment	5-10

5. *Compensated Absences.*

It is the City's policy to permit employees to accumulate earned but unused vacation. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *Deferred Outflows/Inflows of Resources.*

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

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available. Fines are included in this category.

7. *Long-term Liabilities.*

In the government-wide financial statements, and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt, premiums, discounts and issuance costs are reported as other financing sources or uses.

8. *Equity Classifications.*

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net assets not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City has no fund balance reported in this category.

Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The City has $1,561,269 reported as restricted fund balances.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The City has $2,242,560 reported as committed fund balances.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision making authority of the City. The City has no fund balance reported in this category.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

2. Stewardship, Compliance and Accountability.

Budgets

Budgets are adopted on a basis prescribed by state law (cash basis).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.

2. Prior to October 1, the budget is legally enacted through passage of an order.

3. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

4. Formal budgetary integration is employed as a management control device during the year for the various funds, except for Debt Service Funds, because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

5. Budgets for the various funds are adopted on a cash basis as required by state law.

It is the City's policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

3. Detailed Notes on All Funds.

A. Deposits.

At year-end, the City's carrying amount of deposits was $2,627,978 and the bank balance was $5,212,810. The collateral for public entities' 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 Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. 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 City.

B. Receivables.

Receivables as of year-end for the City's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Sales tax	$ 1,586,774		1,586,774
Property taxes	6,513,077		6,513,077
Accounts		1,094,850	1,094,850
Fines	3,207,743		3,207,743
From developers	265,000		265,000
From State of Mississippi	2,082,781		2,082,781
Other receivables	45,149	265,305	310,454
HOME grant receivable	474,000		474,000
Gross receivables	14,174,524	1,360,155	15,534,679
Less: allowance for uncollectibles	(2,924,085)	(82,213)	(3,006,298)
Net total receivables	$ 11,250,439	1,277,942	12,528,381

	Unavailable	Unearned
Unearned cash court bonds	$	791,486
Property taxes receivable: General fund	2,034,683	
Debt service fund	4,323,702	
Total deferred/unearned revenue for governmental funds	$ 6,358,385	791,486

C. Capital Assets.

Capital asset activity for the year ended September 30, 2014, is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 5,888,429			1,935,232	7,823,661
Construction in progress	5,138,804	4,690,487		(2,367,170)	7,462,121
Total capital assets, not being depreciated	11,027,233	4,690,487	0	(431,938)	15,285,782
Capital assets, being depreciated:					
Buildings	15,958,296				15,958,296
Improvements other than buildings	24,555,420			431,938	24,987,358
Streets	23,194,931				23,194,931
Bridges	668,537				668,537
Machinery and equipment	14,021,046	143,486	(122,637)	593,510	14,635,405
Leased equipment	3,056,564	421,375		(593,510)	2,884,429
Total capital assets being depreciated	81,454,794	564,861	(122,637)	431,938	82,328,956
Less: Accumulated depreciation for:					
Buildings	(3,156,709)	(342,266)			(3,498,975)
Improvements other than buildings	(5,322,169)	(274,915)			(5,597,084)
Streets	(9,004,665)	(800,479)			(9,805,144)
Bridges	(267,416)	(13,371)			(280,787)
Machinery and equipment	(10,090,769)	(936,162)	110,373	(296,755)	(11,213,313)
Leased equipment	(1,667,247)	(325,536)		296,755	(1,696,028)
Total accumulated depreciation	(29,508,975)	(2,692,729)	110,373	0	(32,091,331)
Total capital assets, being depreciated, net	51,945,819	(2,127,868)	(12,264)	431,938	50,237,625
Governmental activities capital assets, net	$ 62,973,052	2,562,619	(12,264)	0	65,523,407

Adjustments are made primarily for completed projects and for lease purchases paid off during the year.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 401,636			401,636
Total capital assets, not being depreciated	401,636	0	0	401,636
Capital assets, being depreciated:				
Buildings	92,793			92,793
Water system	13,406,676	17,551		13,424,227
Sewer system	21,980,887			21,980,887
Leased equipment	101,399			101,399
Machinery and equipment	2,113,624			2,113,624
Total capital assets, being depreciated	37,695,379	17,551	0	37,712,930
Less: Accumulated depreciation for:				
Buildings	(90,097)	(270)		(90,367)
Water system	(7,121,754)	(334,372)		(7,456,126)
Sewer system	(13,338,083)	(453,479)		(13,791,562)
Leased equipment	(43,273)	(20,280)		(63,553)
Machinery and equipment	(2,018,885)	(21,821)		(2,040,706)
Total accumulated depreciation	(22,612,092)	(830,222)	0	(23,442,314)
Total capital assets, being depreciated, net	15,083,287	(812,671)	0	14,270,616
Business-type activities capital assets, net	$ 15,484,923	(812,671)	0	14,672,253

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 140,862
Public safety	1,093,832
Public works	969,579
Health and welfare	65,443
Culture and recreation	423,013
Total depreciation expense - governmental activities	$ 2,692,729
Business-type activities:	
Water and sewer	$ 830,222
Total depreciation expense - business-type activities	$ 830,222

D. Interfund Receivables, Payables and Transfers.

The composition of interfund balances as of September 30, 2014, is a follows:

Due to/from other funds:

Receivable Fund	Payable Fund		Amount
Police Forfeiture/Seizure	General	$	88,500
Water/Sewer	General		101,068
Capital Improvements	General		350,000
Debt Service	Water/Sewer		134,871
Other Governmental Funds	Water/Sewer		742,250
Other Governmental Funds	General		100,080
Other Governmental Funds	General		205,000
General	Water/Sewer		422,833
General	Internal Service Fund		68,487
General	Police Seizure		5,164
General	Other Governmental Funds		504,269
Total		$	2,722,522

Some interfund payables are due to costs of shared capital projects and loans. Other loans are temporary operating loans.

Interfund Transfers:

Transfer out:		
General Fund	$	2,188,556
Debt Service Fund		583,972
Capital Improvements		492,261
Other Governmental Funds		45,351
Internal Service Fund		60,827
Water/Sewer		433,665
Total transfers out	$	3,804,632
Transfer in:		
General Fund	$	1,106,595
Debt Service Fund		1,826,965
Capital Improvements		281,452
Other Governmental Funds		126,827
Water/Sewer		462,792
Total transfers in	$	3,804,632

Transfers are made primarily for debt service and internal service charges.

E. Leases.

Operating Leases

In January, 2012, the City entered into an operating lease for golf carts requiring annual payments of $39,499 which includes personal property tax on the equipment. The term of the lease is 48 months with the first payment made February 8, 2012.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in both the governmental activities and business-type activities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The City is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

		Governmental Activities	Business-type Activities
Asset:			
Machinery and equipment	$	2,884,429	101,399
Less: accumulated depreciation		(1,696,028)	(63,553)
Total	$	1,188,401	37,846

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 are as follows:

Year Ending September 30		Governmental Activities	Business-type Activities
2015	$	499,547	12,852
2016		372,952	
2017		201,248	
2018		69,360	
2019		55,842	
2020-2022		167,520	
Total minimum lease payments		1,366,469	12,852
Less: amount representing interest		(77,266)	(237)
Present value of minimum lease payments	$	1,289,203	12,615

F. Long-term Debt.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates		Amount
Governmental activities	2.3% - 5.7%	$	21,450,291
Unamortized premium			154,433
Business-type activities	4.65% - 7.5%		3,304,697
Unamortized premium			25,403
Total		$	24,934,824

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2015	$ 1,871,998	740,809	168,003	152,457
2016	1,682,115	690,209	177,885	145,757
2017	1,669,209	642,118	185,791	138,622
2018	1,564,327	593,895	195,674	131,190
2019	1,389,444	544,953	205,556	121,407
2020-2024	6,892,125	1,995,776	1,187,877	466,215
2025-2029	5,291,073	800,560	1,183,911	153,709
2030-2032	1,090,000	54,525		
Total	$ 21,450,291	6,062,845	3,304,697	1,309,357

Special Assessment Bonds

The City also issued special assessment debt in 1998 and 1999 to provide funds for the construction of streets and other infrastructure in a new commercial development. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The bonds have a stated rate of interest of 5.1% and 4.9% and are payable in equal installments of principal.

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending September 30	Governmental Activities Principal	Governmental Activities Interest
2015	$ 111,000	22,744
2016	118,000	17,211
2017	121,000	11,329
2018	106,000	5,298
Total	$ 456,000	56,582

Tax Increment Financing Bonds

The City also issues bonds where the City pledges incremental increases in ad valorem and sales tax receipts from the property benefiting from infrastructure improvements financed by the bonds to pay debt service.

Tax increment financing bond debt service requirements to maturity are as follows:

Year Ending September 30	Governmental Activities Principal	Interest
2015	$ 553,176	64,851
2016	229,931	39,127
2017	248,006	28,980
2018	261,341	17,731
2019	64,872	16,604
2020-2023	226,566	91,437
Total	$ 1,583,892	258,730

Certificates of Participation

In accordance with Section 31-8-1, et seq. Miss. Code Ann. (1972), the city issued Certificates of Participation and transferred the proceeds to the Central Mississippi Public Improvement Corporation (Corporation). The funds are to be used to construct a new Public Safety Complex. At completion, the Corporation will enter into a 20 year agreement with the city, with the city being obligated to make payments to the corporation equal to the principal and interest on the debt. When the debt is paid, the city will assume ownership of the facility. The obligation is not a general obligation and does not constitute a pledge of full faith and credit of the city. There is an unamortized premium associated with this issue of $89,474 which is not included in the principal in the following schedule:

Year Ending September 30	Governmental Activities Principal	Interest
2015	$ 265,000	215,013
2016	270,000	209,713
2017	280,000	204,313
2018	285,000	198,712
2019	290,000	193,013
2020-2024	1,580,000	829,463
2025-2029	1,850,000	561,038
2030-2033	1,770,000	163,123
Total	$ 6,590,000	2,574,388

Loans Payable

The City has received several loans from the State of Mississippi and banks to finance various projects including infrastructure, fire stations and water/sewer improvements. These loans are made under various programs, some of which have federal participation.

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Loans currently outstanding are as follows:

Loan Type	Interest Rates	Amount
Governmental Activities:		
Capital Improvement (CAP)	3.0% - 4.25%	$ 1,125,227
Mississippi Development Bank-Trustmark	3.02% - 6.15%	5,735,000
Community Bank	1.35%-1.68%	1,919,000
Total Governmental Activities		8,779,227
Business-type Activities:		
Capital Improvement (CAP)	3.0% - 4.25%	484,609
Mississippi Department of Health Drinking Water Systems Improvements Revolving Loan Fund (DWSIRLF)	3.0%	2,826,331
Mississippi Department of Environmental Quality Revolving Loan Fund	4.5%	30,174
Total Business-type Activities		3,341,114
Total		$ 12,120,341

Loan debt service requirements to maturity are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30	Principal	Interest	Principal	Interest
2015	$ 1,115,144	456,506	280,146	80,916
2016	1,136,237	174,521	262,235	72,623
2017	1,144,981	153,336	267,632	64,842
2018	1,158,808	131,984	275,674	56,800
2019	692,966	110,348	276,162	48,523
2020-2024	2,936,091	321,399	1,025,804	136,956
2025-2029	595,000	10,413	760,985	39,751
2030-2032			192,476	2,358
Total	$ 8,779,227	1,358,507	3,341,114	502,769

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	$ 23,780,195		(2,329,904)	21,450,291	1,871,998
Special assessment bonds	562,000		(106,000)	456,000	111,000
Tax increment financing bonds	1,833,020	275,000	(524,128)	1,583,892	553,176
Certificates of participation	6,850,000		(260,000)	6,590,000	265,000
Unamortized premiums	171,579		(17,146)	154,433	
Total bonds payable	33,196,794	275,000	(3,237,178)	30,234,616	2,801,174
Capital leases	1,417,931	421,375	(550,103)	1,289,203	472,367
Loans payable	8,037,607	1,515,000	(773,380)	8,779,227	1,115,144
Compensated absences	359,182		(51,269)	307,913	
Governmental activity long-term liabilities	$ 43,011,514	2,211,375	(4,611,930)	40,610,959	4,388,685
Business-type Activities:					
Bonds payable:					
General obligation bonds	$ 3,464,794		(160,097)	3,304,697	168,003
Unamortized premiums	27,357		(1,954)	25,403	
Total bonds payable	3,492,151		(162,051)	3,330,100	168,003
Capital leases	46,940		(34,325)	12,615	12,615
Loans payable	3,659,236		(318,122)	3,341,114	280,146
Compensated absences	44,460		(10,423)	34,037	
Business-type activity long-term liabilities	$ 7,242,787	0	(524,921)	6,717,866	460,764

Capital assets, related accumulated depreciation, and lease obligation were transferred from business activities to governmental activities.

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater that 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. As of September 30, 2014, the amount of outstanding debt was equal to 9.46% of the latest property assessments.

Prior Year Defeasance of Debt:

In fiscal year 2013, the city entered into a loan with the Mississippi Development Bank to advance refund a portion of an earlier loan with the Mississippi Development Bank. The loan refunded had a call provision to allow the city to pay off the outstanding balance of the loan. The proceeds were transferred to a trust account to pay the debt when the call provisions were exercised. The amount shown as outstanding at September 30, 2013, $4,770,000, was callable at December 1, 2014. The refunding of the issues resulted in a savings of $228,917 and an economic gain of $194,661.

Summary of Refunding:

Refunding Issue

Date	Deseription	Issue Amount
December 28, 2012	City of Pearl, Mississippi Promissory Note Mississippi Development Bank	$ 5,505,000

Refunded Issue

Date	Description	Original Issue	Amount Refunded	Non-Refunded Balance at 9/30/2014
December 1, 2004	Promissory Note Mississippi Development Bank Loan from Taxable Special Obligation Bonds	$ 7,500,000	$ 4,770,000	$ 345,000

4. Other Information.

A. Risk Financing.

The City minimizes its risk of loss for workers compensation, employee health, and property and liability through the purchase of commercial insurance.

B. Contingencies.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

A pledge agreement dated December 1, 2004 was executed between the City and the Trustee in connection with the issuance by the City of Pearl Taxable Urban Renewal Revenue Bonds, Series 2004A, 2004B and 2004C. Those bonds are described in Note F. The City, in the agreement, has agreed to pay on an annual basis, any revenue deficit up to $800,000 per year on the combination of amounts owed to Bloomfield Equities, LLC, from specific revenues generated from the property so that the amount of $800,000 per year will be available from the various revenue sources for debt service on the Series 2004A and Series 2004B. In addition, the Rankin County Board of Supervisors entered into an agreement with the City of Pearl to pledge to the City $320,000 per year for partial payment of the City's obligations described herein. In 2014, the City paid Bloomfield Equities, LLC $911,748 under this agreement. In 2014, the Rankin County Board of Supervisors paid the City $320,000.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Jointly Governed Organizations.

West Rankin Utility Authority

The City entered into an agreement on February 24, 1977, with the City of Jackson (Jackson), the implementing agency for the West Rankin Regional Wastewater System (the System), to pay an annual payment representing its proportionate share of the debt service required to pay back a revenue bond issued by Jackson for the construction of the System, to pay its proportionate share of Jackson's wastewater treatment costs and to pay its proportionate share of other costs related to the System.

In 2002, the City, along with other cities and governing authorities in Rankin County, created the West Rankin Utility Authority (a political subdivision of the State) to acquire the System from the City of Jackson. The Authority will maintain and operate the System and charge its customers for use of the System. Jackson will charge the Authority for wastewater treatment at its treatment facility. The City's annual payment shall be the percentage of the total annual costs as determined by dividing the City's wastewater volume contributed to the System in the prior year by all the wastewater volume for all contracting parties. Adjustments for variances between actual and prior year's usage are to be determined annually and appropriate adjustments are to be made to each contracting party's account.

From October, 2013 through September, 2014, the City paid $3,453,745. For the twelve-month period beginning October 1, 2014, the City's annual financial responsibility will be $2,893,747.

Pearl-Riehland Intermodal Connector Commission

The Pearl-Richland Intermodal Connector Commission was established by interlocal agreement between the Cities of Pearl and Richland, dated November 1, 2005, to cooperate together to more efficiently and effectively utilize their governmental power and authority in connection with and in order to accomplish the planning, design, funding, acquisition of right-of-way for, construction, operation, maintenance and implementation of transportation connections and road systems connecting the two cities, including without limitation the Pearl-Richland Intermodal Connector and other projects linking U.S. Highway 80, U.S. Interstate 20 and U.S. Highway 49 in Rankin County. The commission will consist of two members, one from each city, who shall be either the mayor of the city or his designee.

For the year ended September 30, 2014, the City is due a reimbursement of $179,543 from the State of Mississippi for funds spent by the Commission.

D. Note Receivable.

In 1998, the City received a grant from the United States Department of Housing and Urban Development for the construction of a senior citizens apartment complex. The grant provides funds for a long-term loan to the developer of this project. The apartment complex is collateral on the loan. Repayment begins the first month after the final payment on the first mortgage loan with payments of $1,786 per month. The current balance of the note receivable is $474,000.

E. Pension Plan.

Plan Description. The City of Pearl 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. Prior to July 1, 2010, PERS members were required to contribute 9% of their annual covered salary. The City of Pearl is required to contribute at an actuarially determined rate of 15.75% of covered payroll beginning July 1, 2013. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The City of Pearl's contributions to PERS for the years ending September 30, 2014, 2013 and 2012 were $1,433,970, $1,315,270, and $1,171,177, respectively, equal to the required contributions for each year.

F. No Commitment Debt.

In August 1999, the City issued mortgage revenue bonds to provide for the cost of acquisition and renovation of a 120-unit apartment project - Rankin Square. The bonds are secured by project receipts, project mortgage, deed of trust and other security as described in the bond indenture. The bonds are payable solely from receipts of the project. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2012, the principal amount payable was $3,685,000, which is the original issue amount. The bonds are in default. On November 14, 2011, the trustee was directed by the District Court of Minnesota to sell the property and disburse the proceeds in full settlement of the outstanding debt.

Taxable Urban Renewal Revenue Bonds

In 2004 and 2005, bonds were issued by the City to finance construction of the baseball stadium, the Bass Pro Shop site, and other related projects. They are to be repaid solely from the various revenues generated by the projects including incremental increases in property taxes and sales taxes that may result from construction and operations of the projects. The bonds do not constitute a debt of the City and, accordingly, have not been reported in the accompanying financial statements.

These bond issues are:

Title	Issue Date	Maturity	Issue Amount	Current Balance
Taxable Urban Renewal Bond Childre Road Urban Renewal Project, Series 2004C	12/30/2004	11/1/2024	$ 10,000,000	$ 10,000,000
Variable Rate Demand Revenue Bond, Series 2004A (Childre Road Urban Renewal Project)	12/30/2004	11/1/2019	$ 43,000,000	$ 18,805,000
Taxable Urban Renewal Revenue Bond, Series 2004 B-1, B-2 and B-3 Refunded in 2012	12/30/2004	11/1/2024	$ 22,000,000	$ 16,575,000

G. Commitments.

A pledge agreement dated December 1, 2004 was executed between the City and the Trustee in connection with the issuance by the City of Taxable Urban Renewal Revenue Bonds, Series 2004A, 2004B and 2004C as described in Note F. The City, in the agreement, has agreed to pay Bloomfield Equities, LLC $150,000 per year during the last ten (10) years of the initial term of the agreement; such payments commencing on January 1, 2015, with such amounts to be used for debt service on the Series 2004A and 2004B bonds.

H. Other Postemployment Benefits.

The City, through a commercial insurance carrier, provides health, dental and group term life coverage to City employees to the limits established by the plan document. Since retirees may obtain health insurance under this plan by participating in a group with active employees and consequently receive an insurance premium rate differential, the City has a postemployment healthcare benefit reportable under GASB 45 as a single employer defined benefit healthcare plan. Effective October 1, 2008, the City implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The City does not issue a publicly available financial report for the plan. However, the City has not recorded a liability for other postemployment benefits nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

I. Subsequent Events.

The City has evaluated events and transactions for potential recognition or disclosure through May 22, 2015, which is the date the financial statements were available to be issued.

As of May 22, 2015, the City issued the following debt obligations:

Two lease/purchase agreements, one for the acquisition of vehicles in the amount of $76,353 with Bancorp South and another for $74,649 for office furniture for the new police facility with Trustmark Bank. A short-term note for $1,388,000 was obtained from Priority One Bank.

J. Prior Period Adjustment.

An adjustment was made for $1,492,162 to increase the fund balance of the Police Seizure Fund. Revenues had not been recognized in prior years when certain cases were settled by the courts and the funds released for spending.

Additionally, due to the accounting change described below in Note K., bond issue costs of $1,136,300 that had previously been reported as an asset and amortized over the term of the bonds are charged to prior years' expenses.

K. Change in Accounting Standard.

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities;* GASB Statement 66, *Technical Corretions-2012-an amendment of GASB Statements No. 10 and No. 62.* The provisions of these standards have been incorporated into the financial statements and notes.

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CITY OF PEARL

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules

City of Pearl
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2014

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$	1,965,261	2,336,770	2,336,770	
Licenses and permits		365,000	314,363	314,363	
Fines and forfeitures		1,792,500	1,681,582	1,681,582	
Intergovernmental revenues		11,446,500	11,018,016	11,018,016	
Charges for services		1,490,000	1,284,140	1,284,140	
Miscellaneous revenues		1,869,500	1,461,381	1,461,381	
Total Revenues		18,928,761	18,096,252	18,096,252	0
EXPENDITURES					
General government		3,844,513	2,998,063	2,998,063	
Public safety		10,981,384	10,168,017	10,168,017	
Public works		3,205,813	2,725,247	2,725,247	
Health and welfare		545,060	429,612	429,612	
Culture and recreation		1,858,340	1,293,996	1,293,996	
Total Expenditures		20,435,110	17,614,935	17,614,935	0
Excess of Revenues over (under) Expenditures		(1,506,349)	481,317	481,317	0
OTHER FINANCING SOURCES (USES)					
Proceeds of note			1,000,000	1,000,000	
Transfers in			1,106,595	1,106,595	
Transfers out			(2,188,556)	(2,188,556)	
Total Other Financing Sources and Uses		0	(81,961)	(81,961)	0
Net Change in Fund Balance		(1,506,349)	399,356	399,356	0
Fund Balances - Beginning		(1,783,709)	(1,825,747)	(1,825,747)	
Fund Balances - Ending	$	(3,290,058)	(1,426,391)	(1,426,391)	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

City of Pearl
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Police Forfeiture/Seizure Fund
For the Year Ended September 30, 2014

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental revenues	$	750,000	1,086,072	1,086,072	
Interest income			566	566	
Miscellaneous revenues			44,941	44,941	
Total Revenues		750,000	1,131,579	1,131,579	0
EXPENDITURES					
Public safety		551,659	1,088,067	1,088,067	
Total Expenditures		551,659	1,088,067	1,088,067	0
Exeess of Revenues over (under) Expenditures		198,341	43,512	43,512	0
OTHER FINANCING SOURCES (USES)					
Other financing sources					
Total Other Financing Sources and Uses		0	0	0	0
Net Change in Fund Balance		198,341	43,512	43,512	0
Fund Balances - Beginning		1,517,757	25,595	25,595	
Fund Balances - Ending	$	1,716,098	69,107	69,107	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

A. Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major fund.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major fund:

	Governmental Fund Types	
	General Fund	Police Forfeiture/ Seizure Fund
Net Changes in Fund Balance - Budget (Cash Basis)	$ 399,356	43,512
Increase (decrease):		
Net adjustments for revenue and expense accruals	90,518	
Net Change in Fund Balance GAAP Basis	$ 489,874	43,512

CITY OF PEARL

SUPPLEMENTAL INFORMATION

City of Pearl
Schedule of Surety Bonds For Municipal Officials
For the Year Ended September 30, 2014

Name	Position	Surety Agency	Bond Amount
Brad Rogers	Mayor	Travelers Casualty & Surety	$ 100,000
Terry Ishee	Alderman	Travelers Casualty & Surety	100,000
Gavin D. Gill	Alderman	Travelers Casualty & Surety	100,000
Todd V. Jenkins	Alderman	Travelers Casualty & Surety	100,000
Kenneth M. Sartor	Alderman	Travelers Casualty & Surety	100,000
John P. McHenry	Alderman	Travelers Casualty & Surety	100,000
Rebecca L. Tullos	Alderman	Travelers Casualty & Surety	100,000
Casey S. Foy	Alderman	Travelers Casualty & Surety	100,000
Joann Ladner	City Clerk	Travelers Casualty & Surety	100,000
James Schuler	Chief of Police	Travelers Casualty & Surety	50,000
Kelly Scouten	Deputy City Clerk	Travelers Casualty & Surety	50,000
Cynthia Jenkins	Deputy City Clerk	Travelers Casualty & Surety	50,000
Katherine Dennis	Court Clerk	Travelers Casualty & Surety	50,000
Christi Jenkins	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Meribel Melo	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Deborah Blackwell	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Kayla Collins	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Aletha White	Executive Office Manager	Travelers Casualty & Surety	50,000
Pamela Malone	Accounting Supervisor	Travelers Casualty & Surety	50,000
Teresa Wilson	Assistant Office Manager	Travelers Casualty & Surety	50,000
Megan Rieger	Water Billing Clerk	Travelers Casualty & Surety	50,000
Sandy Pruitt	Water Billing Clerk	Travelers Casualty & Surety	50,000
Brenda Malone	Water Billing Clerk	Travelers Casualty & Surety	50,000
Phyllis Berry	Water Billing Clerk	Travelers Casualty & Surety	50,000
Billy Jordan	Superintendent - Garage	Travelers Casualty & Surety	50,000
Johnny Steverson	Director of Community Development	Travelers Casualty & Surety	50,000
Otis Myers	Director of Golf	Travelers Casualty & Surety	50,000
Ruth Gullette	Senior Programs Director	Travelers Casualty & Surety	50,000
Various	Police Officers	Travelers Casualty & Surety	25,000
Various	Dispatchers	Travelers Casualty & Surety	50,000

City of Pearl
Schedule of Expenditures of Federal Awards
September 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
Major Federal Awards:				
U.S. Department of Transportation/ Mississippi Department of Transportation/ Pearl-Richland Intermodal Connector Project #STPD-7040-00-(001) LPA	20.205	P.L.108-0447	STPD-7040-00(001)LPA	$ 680,124
U.S. Department of Transportation/ Mississippi Department of Transportation/ West Rankin Parkway Project #STP-7334-00(007)	20.205		STPD-7334-00(007)	1,664,386
Total Expenditures of Major Federal Awards				2,344,510
Other Federal Awards:				
U.S. Department of Housing and Urban Development/Mississippi Development Authority/Community Development Block Grant/Scotts Miracle Grow	14.228	CDBG 2010	1127-10-293-ED-01	2,500
Office of National Drug Policy HIDTA Grant	07.UN	G13GC003A GC14GC003A		47,318
U.S. Department of Health and Human Services/ Central Mississippi Planning and Development District/ Nutrition Program for the Elderly	93.045	378M47	378M47	10,730
U.S. Department of Health and Human Services/ Central Mississippi Planning and Development District/ Nutrition Program for the Elderly	93.045	379M47	379M47	14,146
U.S. Department of Health and Human Services/ Central Mississippi Planning and Development District/ Nutrition Services Incentive Program	93.053	378M47	378M47	1,985
U.S. Department of Health and Human Services/ Central Mississippi Planning and Development District/ Nutrition Services Incentive Program	93.053	379M47	379M47	3,586

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City of Pearl
Schedule of Expenditures of Federal Awards
September 30, 2014

(Continued)

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. Department of Transportation/ Mississippi Department of Public Safety 402 Traffic Services Grant	20.600	NHTSA-402	13PT3191	9,221
U.S. Department of Homeland Security/ Mississippi Emergency Management Agency Disaster Grants - Public Assistance	97.036			182,133
U.S. Department of Homeland Security/ Mississippi Emergency Management Agency Hazard Mitigation Grant	97.039			51,422
Total Expenditures of Other Federal Awards				323,041
Total Expenditures of Federal Awards				$ 2,667,551

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A: Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Pearl and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

CITY OF PEARL

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Honorable Mayor and
Members of the Board of Aldermen
City of Pearl, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 22, 2015. The report is qualified on the governmental activities and the business-type activities because the City has not recorded a liability for other postemployment benefits in the governmental activities and the business-type activities and, accordingly, has not recorded an expense for the current period change in that liability.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Pearl, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 14-1, 14-2 and 14-3 to be material weaknesses.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 14-4 to be a significant deficiency.

Compliance and Other Matters

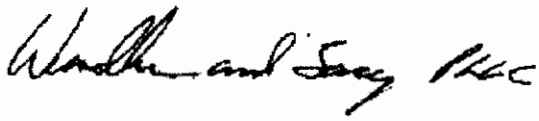
As part of obtaining reasonable assurance about whether City of Pearl, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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.*

City's Response to Findings

The City of Pearl, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Pearl, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Windham and Lacey, PLLC
May 22, 2015

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

Honorable Mayor and
Members of the Board of Aldermen
City of Pearl, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Pearl, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (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 September 30, 2014. The City of Pearl, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the City of Pearl, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Pearl, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City of Pearl, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over compliance.

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

Our consideration of 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

Windham and Lacey PLLC

Windham and Lacey, PLLC
May 22, 2015

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

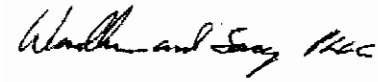
Honorable Mayor and
Members of the Board of Aldermen
City of Pearl, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Pearl, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management 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.



Windham and Lacey, PLLC
May 22, 2015

CITY OF PEARL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF PEARL

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Business-type activities	Qualified
General Fund	Unmodified
Police Forfeiture/Seizure Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Capital Improvements Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

   a. Material weakness identified? — Yes

   b. Significant deficiencies identified that are not considered to be material weaknesses? — Yes

3. Noncompliance material to the financial statements? — No

Federal Awards:

4. Internal control over major programs:

   a. Material weaknesses identified? — No

   b. Significant deficiencies identified that are not considered to be material weaknesses? — None reported

5. Type of auditor's report issued on compliance for major federal programs: — Unmodified

6. Any audit findings reported as required by Section ___.510(a) of Circular A-133? — No

7. Federal program identified as a major program:

   U. S. Department of Transportation/Highway Planning and Construction, CFDA #20.205

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

Section 2: Financial Statement Findings

Significant Deficiency - Material Weakness

14 - 1. Finding

Effective October 1, 2008, the City implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. However, the City has not recorded a liability for other postemployment benefits nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The City did not have internal controls in place to determine the liability associated with other postemployment benefits.

Recommendation

The City should develop procedures to determine the liability associated with other postemployment benefits and report that liability in its financial statements.

City's Response

City management believes that the costs associated with determining the liability associated with postemployment benefits, particularly the cost of hiring actuaries to determine the liability, would be prohibitive given the budget constraints faced by the City. City management believes that the expenditures associated with compliance would be better spent providing needed services to citizens. Additionally, City management believes the postemployment benefit liability would not be significant to the financial statements.

14 - 2. Finding

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. The City did not have adequate internal controls over interfund transactions. We found interfund transactions that were not completely accounted for and lacking supporting documentation that would facilitate identification in the funds. Such a deficiency could prevent management and employees from preventing or detecting and correcting misstatements.

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Recommendation

The City should develop procedures to properly record and document interfund transactions. Because of the volume of such transaetions, we recommend that the accounting department and city clerk keep a schedule of all such transactions and reconcile those logs periodically. Additionally, we recommend a file be kept of the supporting documentation for those transactions.

City's Response

City management will address these concerns by implementing controls and monitoring their application.

14 - 3. Finding

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. The City did not have adequate controls over cash disbursements. We found several checks that had been written but not released to payees in a timely manner. Many of these checks were related to the interfund transactions noted in Finding 14 - 2; however; many more were payments to vendors. Such a deficiency could prevent management and employees from preventing or detecting and correcting misstatements.

Recommendation

The City should develop procedures to prevent checks that are written from being held.

City's Response

City management will address these concerns by implementing controls and monitoring their application.

Significant Deficiency – Not Considered a Material Weakness

14 - 4. Finding

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 noncompliance with procedures, laws and regulations on a timely basis. Internal controls over purchases and the purchasing process are inadequate to assure compliance with the city's purchasing procedures and state laws and regulations.

Recommendation

Although we did not identify any noncompliance in the purchasing process, there is a lack of city-wide oversight for that process. The City should develop procedures to strengthen the purchasing process. Such procedures may include assigning a person to manage and provide oversight of all of the City's purchases.

City's Response

City management will address these concerns by implementing controls and monitoring their application.

Section 3: Federal Award Findings and Questioned Costs

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