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**CITY OF PEARL, MISSISSIPPI**

**Audited Financial Statements  
And  
Special Reports**

**For the Year Ended September 30, 2015**

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**CITY OF PEARL**  
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**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, 2015, 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, 2015, 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, 2015, 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, the City’s Proportionate Share of Net Pension Liability, the City’s Contribution and corresponding notes 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 June 21, 2016, 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  
June 21, 2016

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**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

City of Pearl  
Statement of Net Position  
September 30, 2015

**Exhibit 1**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and investments	\$ 1,794,552	913,199	2,707,751
Property tax receivable	6,659,326		6,659,326
Fines receivable (net of allowance for uncollectibles of \$3,244,354)	409,405		409,405
Accounts receivable, net		1,062,241	1,062,241
Other receivables	1,758,055	16,602	1,774,657
Internal balances	395,506	(395,506)	
Sales tax receivable	1,690,571		1,690,571
Total current assets	<u>12,707,415</u>	<u>1,596,536</u>	<u>14,303,951</u>
<b>Noncurrent Assets:</b>			
Restricted cash	613	182,640	183,253
Home Grant receivable	474,000		474,000
Capital assets, net	64,561,512	13,943,424	78,504,936
Total noncurrent assets	<u>65,036,125</u>	<u>14,126,064</u>	<u>79,162,189</u>
Total Assets	<u>\$ 77,743,540</u>	<u>15,722,600</u>	<u>93,466,140</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	\$ 2,389,018	282,673	2,671,691
Deferred amount on refunding	306,934	136,355	443,289
Total Deferred Outflows of Resources	<u>\$ 2,695,952</u>	<u>419,028</u>	<u>3,114,980</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Claims payable	\$ 1,475,591	99,913	1,575,504
Accrued interest payable	285,130	32,035	317,165
Unearned revenue	680,540		680,540
Other payables	30,132		30,132
Current portion of long-term debt	3,930,225	451,807	4,382,032
Total current liabilities	<u>6,401,618</u>	<u>583,755</u>	<u>6,985,373</u>
<b>Noncurrent Liabilities:</b>			
Long-term liabilities due in more than one year	32,736,982	5,980,000	38,716,982
Customer meter deposits payable		385,258	385,258
Escrowed seizure funds payable	598,937		598,937
Net pension liability	19,939,055	2,359,150	22,298,205
Total noncurrent liabilities	<u>53,274,974</u>	<u>8,724,408</u>	<u>61,999,382</u>
Total Liabilities	<u>\$ 59,676,592</u>	<u>9,308,163</u>	<u>68,984,755</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future periods	\$ 6,464,774		6,464,774
<b>NET POSITION</b>			
Net investment in capital assets	\$ 28,160,908	7,548,554	35,709,462
Restricted for:			
Debt service	668,139		668,139
Public safety	1,127,377		1,127,377
Public works	400,462		400,462
Capital improvements	1,862,047	28,649	1,890,696
Unrestricted	(17,920,807)	(743,738)	(18,664,545)
Total Net Position	<u>\$ 14,298,126</u>	<u>6,833,465</u>	<u>21,131,591</u>

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, 2015**

**Exhibit 2**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 4,290,962				(4,290,962)		(4,290,962)
Public safety	12,158,640	2,569,223	54,902	155,789	(9,378,726)	1,282,499	(9,378,726)
Public works	12,082,250	1,456,263	299,551	8,449,965	(1,876,471)	(233,275)	(1,876,471)
Health and welfare	495,373	243,687			(251,686)		(251,686)
Culture and recreation	1,526,342	1,141,981			(384,361)		(384,361)
Interest on long-term debt	976,822				(976,822)		(976,822)
Pension expense	1,971,590				(1,971,590)		(1,971,590)
Total Governmental Activities	33,501,979	5,411,154	354,453	8,605,754	(19,130,618)	0	(19,130,618)
Business-type Activities:							
Water/Sewer	7,082,915	8,365,414				1,282,499	1,282,499
Pension expense	233,275					(233,275)	(233,275)
Total Business-type Activities	7,316,190	8,365,414	0	0	0	1,049,224	1,049,224
Total Primary Government	\$ 40,818,169	13,776,568	354,453	8,605,754	(19,130,618)	1,049,224	(18,081,394)

(Continued)

**City of Pearl  
Statement of Activities  
For the Year Ended September 30, 2015**

**Exhibit 2 (Continued)**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General Revenues and Transfers			
Taxes:			
Property taxes	\$ 6,602,866		6,602,866
Road & bridge privilege taxes	952,407		952,407
Sales tax	9,903,357		9,903,357
Franchise taxes	978,647		978,647
Grants and contributions not restricted to specific programs	565,355		565,355
Unrestricted investment income	5,116	440	5,556
Miscellaneous	453,001	9,697	462,698
Transfers	318,017	(318,017)	
Total General Revenues and Transfers	<u>19,778,766</u>	<u>(307,880)</u>	<u>19,470,886</u>
Change in net position	648,148	741,344	1,389,492
Net Position - Beginning	29,527,315	7,970,697	37,498,012
Prior period adjustment	(15,877,337)	(1,878,576)	(17,755,913)
Net Position, as restated	<u>13,649,978</u>	<u>6,092,121</u>	<u>19,742,099</u>
Net Position - Ending	<u>\$ 14,298,126</u>	<u>6,833,465</u>	<u>21,131,591</u>

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

**Exhibit 3**

**City of Pearl  
Balance Sheet  
Governmental Funds  
September 30, 2015**

	<u>Major Governmental Funds</u>						<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Police Forfeiture/ Seizure Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
<b>ASSETS</b>							
Cash and investments	\$ (504,568)	382,921	687,324	955,655	322,863	1,844,195	6,659,326
Property tax receivable	2,131,175		4,528,151				
Fines receivable (net of allowance for uncollectibles of \$3,244,354)	409,405					409,405	
Sales tax receivable	1,690,571					1,690,571	
Other receivables	250,940					250,940	
Due from state	768,995	8,511		711,333		1,488,839	
Due from other funds	555,356	1,521,877	134,871	350,507	933,041	3,495,652	
<b>Total Assets</b>	<b>\$ 5,301,874</b>	<b>1,913,309</b>	<b>5,350,346</b>	<b>2,017,495</b>	<b>1,255,904</b>	<b>15,838,928</b>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Claims payable	\$ 290,574	3,158	1,644	1,161,038	20,820	1,477,234	
Due to other taxing units	28,944					28,944	
Due to other funds	2,544,790	183,837			303,032	3,031,659	
Other liabilities	681,740					681,740	
State and federal seized funds escrow		598,937				598,937	
<b>Total Liabilities</b>	<b>3,546,048</b>	<b>785,932</b>	<b>1,644</b>	<b>1,161,038</b>	<b>323,852</b>	<b>5,818,514</b>	
<b>Deferred Inflows of Resources:</b>							
Property tax for future periods	2,068,728					6,464,774	
Unavailable revenue - fines	409,405		4,396,046			409,405	
<b>Total Deferred Inflows of Resources</b>	<b>2,478,133</b>	<b>0</b>	<b>4,396,046</b>	<b>0</b>	<b>0</b>	<b>6,874,179</b>	

(Continued)

**Exhibit 3 (Continued)**

**City of Pearl  
Balance Sheet  
Governmental Funds  
September 30, 2015**

	<u>Major Governmental Funds</u>					<u>Total</u>
	<u>General Fund</u>	<u>Police Forfeiture/ Seizure Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Fund Balances:						
Restricted:		1,127,377				1,127,377
Public safety						952,656
Committed:			952,656			400,462
Debt service						1,388,047
Public works				856,457		(722,307)
Capital projects	(722,307)					3,146,235
Unassigned	(722,307)	1,127,377	952,656	856,457	932,052	
Total Fund Balances	\$ 5,301,874	1,913,309	5,350,346	2,017,495	1,255,904	
Total Liabilities, Deferred Inflows of Resources and Fund Balances						

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.

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.

Long-term note receivable is not available in the current period.

Deferred outflows of resources are not a financial resource and, therefore, are not reported in the funds:

  Outflows related to pension liabilities

    Deferred amount on bond refunding

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.

Amounts charged to business-type activities by the internal service fund are due to governmental activities.

Accrued interest payable is not a current liability payable from current assets.

Cash with trustee from issuance of long-term refunding notes and certificates of participation.

Liabilities not due and payable in the current period are not reported in the funds:

  Long-term liabilities

    Pension liabilities

Net Position of Governmental Activities

	\$	64,561,512				
		409,405				
		474,000				
	\$	2,389,018				
		306,934				
						(118,130)
						19,931
						(285,130)
						613
	\$	(36,667,207)				
		(19,939,055)				
	\$	14,298,126				

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

Exhibit 4

City of Pearl  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended September 30, 2015

	Major Governmental Funds					Total Governmental Funds
	General Fund	Police Forfeiture/ Seizure Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 2,085,848		4,524,451			6,610,299
Road & bridge privilege tax	952,407					952,407
Licenses and permits	242,760					242,760
Fines and forfeitures	1,874,355					1,874,355
Intergovernmental revenues	11,373,562	485,178	320,000	8,449,965	136,530	20,765,235
Charges for services	1,329,338				1,456,263	2,785,601
Interest income	1,351	403	1	1,379	383	3,517
Miscellaneous	689,912		256,534		19,445	965,891
Total Revenues	<u>18,549,533</u>	<u>485,581</u>	<u>5,100,986</u>	<u>8,451,344</u>	<u>1,612,621</u>	<u>34,200,065</u>
<b>EXPENDITURES</b>						
Current:						
General government	4,150,082		253,096			4,403,178
Public safety	10,703,302	513,535				11,216,837
Public works	1,733,673			8,091,116	1,746,441	11,571,230
Health and welfare	447,473					447,473
Culture and recreation	1,060,625					1,060,625
Debt service:						
Principal	462,790	413,099	4,933,922		48,416	5,858,227
Interest	37,733	220,830	808,089		2,819	1,069,471
Total Expenditures	<u>18,595,678</u>	<u>1,147,464</u>	<u>5,995,107</u>	<u>8,091,116</u>	<u>1,797,676</u>	<u>35,627,041</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(46,145)</u>	<u>(661,883)</u>	<u>(894,121)</u>	<u>360,228</u>	<u>(185,055)</u>	<u>(1,426,976)</u>

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(Continued)

Exhibit 4 (Continued)

**City of Pearl  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2015**

	<u>Major Governmental Funds</u>						<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Police Forfeiture/ Seizure Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>		
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceed of capital lease	141,147	177,719				318,866	
Proceeds of notes	1,388,000					1,388,000	
Proceeds of bonds			2,013,651 (1,975,317)			2,013,651 (1,975,317)	
Cash to bond trustee for refunding		240,174	1,157,316	35,437		1,432,927	
Transfers in	(911,474)	(189,902)		(1,014)		(1,114,910)	
Transfers out					(12,520)	(12,520)	
<b>Total Other Financing Sources and Uses</b>	<u>617,673</u>	<u>227,991</u>	<u>1,195,650</u>	<u>34,423</u>		<u>2,063,217</u>	
<b>Net Change in Fund Balances</b>	571,528	(433,892)	301,529	394,651	(197,575)	636,241	
<b>Fund Balances - Beginning</b>	<u>(1,293,835)</u>	<u>1,561,269</u>	<u>651,127</u>	<u>461,806</u>	<u>1,129,627</u>	<u>2,509,994</u>	
<b>Fund Balances - Ending</b>	<u>\$ (722,307)</u>	<u>1,127,377</u>	<u>952,656</u>	<u>856,457</u>	<u>932,052</u>	<u>3,146,235</u>	

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, 2015**

**Exhibit 5**

Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4) \$ 636,241

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. In the current period, these amounts are:

Capital outlay	1,942,475	
Depreciation expense	<u>(2,700,844)</u>	(758,369)

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. In the current period, these amounts are:

Net gain on sale of capital assets	(198,376)	
Proceeds from sale of capital assets	<u>(5,150)</u>	(203,526)

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

Long-term debt issued	(3,720,517)	
Payments on debt principal	5,858,227	
Refunded bond	1,747,582	
Amortization of premiums on bonds and certificates of participation	<u>17,146</u>	3,902,438

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	75,503	
Change in compensated absences	41,314	
Change in deferred outflows - amortization of bond refunding costs	(27,343)	
Change in deferred outflows - refunding costs of bonds refunded in current year	227,734	
Change in deferred inflows - fines	<u>125,747</u>	442,955

Some items reported in the Statement of Activities related to the implementation of GASB 68 are not reported as revenues/expenditures in the Governmental Funds.

These activities include:

Recording pension expense for the current year	(1,971,590)	
Recording of contributions made subsequent to the measurement date	<u>298,890</u>	(1,672,700)

**(Continued)**

**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, 2015**

**Exhibit 5 (Continued)**

Change in due from business-type activities to governmental activities for internal service fund costs.	(3,665)
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.	(222,488)
Trustee payments from certificates of participation.	(1,207,759)
Interest earned on cash with trustee.	21
The change in the amounts due from developers is not recognized as revenue in the fund in the current period.	<u>(265,000)</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 648,148</u>

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

City of Pearl  
Statement of Net Position  
Proprietary Funds  
September 30, 2015

Exhibit 6

	<u>Business-type Activity Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Water/Sewer</u>	<u>Water/Sewer Improvements</u>	<u>Total</u>	<u>Self-Insurance</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 901,241	11,958	913,199	(49,643)
Accounts receivable, net	1,062,241		1,062,241	
Due from other funds	350,696	16,691	367,387	
Other current assets	16,602		16,602	
Total current assets	<u>2,330,780</u>	<u>28,649</u>	<u>2,359,429</u>	<u>(49,643)</u>
Noncurrent assets:				
Restricted cash and cash equivalents	182,640		182,640	
Capital assets, net	13,943,424		13,943,424	
Total noncurrent assets	<u>14,126,064</u>	<u>0</u>	<u>14,126,064</u>	<u>0</u>
Total Assets	<u>\$ 16,456,844</u>	<u>28,649</u>	<u>16,485,493</u>	<u>(49,643)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	\$ 282,673		282,673	
Deferred amount on refunding	136,355		136,355	
Total Deferred Outflows of Resources	<u>\$ 419,028</u>	<u>0</u>	<u>419,028</u>	<u>0</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Claims payable	\$ 99,913		99,913	
Accrued interest payable	32,035		32,035	
Due to other funds	762,893		762,893	68,487
Current portion of long-term debt	451,807		451,807	
Total current liabilities	<u>1,346,648</u>	<u>0</u>	<u>1,346,648</u>	<u>68,487</u>
Noncurrent Liabilities:				
Long-term liabilities	5,980,000		5,980,000	
Customer meter deposits payable	385,258		385,258	
Net pension liability	2,359,150		2,359,150	
Total noncurrent liabilities	<u>8,724,408</u>	<u>0</u>	<u>8,724,408</u>	<u>0</u>
Total Liabilities	<u>\$ 10,071,056</u>	<u>0</u>	<u>10,071,056</u>	<u>68,487</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 7,548,554		7,548,554	
Restricted for Capital Improvements		28,649	28,649	
Unrestricted	<u>(743,738)</u>		<u>(743,738)</u>	<u>(118,130)</u>
Total Net Position	<u>\$ 6,804,816</u>	<u>28,649</u>	<u>6,833,465</u>	<u>(118,130)</u>

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

City of Pearl  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended September 30, 2015

Exhibit 7

	Business-type Activity Enterprise Funds			Internal Service Fund
	Water/Sewer	Water/Sewer Improvements	Total	Self-Insurance
<b>OPERATING REVENUES</b>				
Charges for services	\$ 8,365,414		8,365,414	374,952
Miscellaneous revenue				3,347
City and employee contributions				1,404,799
Total Operating Revenues	<u>8,365,414</u>	<u>0</u>	<u>8,365,414</u>	<u>1,783,098</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,588,734		1,588,734	
Contractual services	366,578		366,578	
Materials and supplies	155,420		155,420	
Maintenance	590,604		590,604	
Utilities	361,840		361,840	
West Rankin charges	3,139,487		3,139,487	
Depreciation expense	770,841		770,841	
Other operating expenses	149,686	374	150,060	
Medical claim payments and insurance				2,005,586
Total Operating Expenses	<u>7,123,190</u>	<u>374</u>	<u>7,123,564</u>	<u>2,005,586</u>
Operating Income (Loss)	<u>1,242,224</u>	<u>(374)</u>	<u>1,241,850</u>	<u>(222,488)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	440	19	459	
Interest expense	(167,585)		(167,585)	
Other income	9,697		9,697	
Bond issue costs	(25,060)		(25,060)	
Transfers in	25,066		25,066	
Transfers out	(343,083)		(343,083)	
Total Nonoperating Revenue (Expenses)	<u>(500,525)</u>	<u>19</u>	<u>(500,506)</u>	<u>0</u>
Change in Net Position	<u>741,699</u>	<u>(355)</u>	<u>741,344</u>	<u>(222,488)</u>
Net Position - Beginning	7,941,693	29,004	7,970,697	104,358
Prior period adjustment	(1,878,576)		(1,878,576)	
Net Position, as restated	<u>6,063,117</u>	<u>29,004</u>	<u>6,092,121</u>	<u>104,358</u>
Total Net Position - Ending	<u>\$ 6,804,816</u>	<u>28,649</u>	<u>6,833,465</u>	<u>(118,130)</u>

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, 2015

Exhibit 8

	Business-type Activity Enterprise Funds			Internal Service Fund
	Water/Sewer	Water/Sewer Improvements	Total	Self-Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 8,561,196		8,561,196	
Receipts from internal services provided				1,783,098
Payments to suppliers and employees	(6,253,115)	(374)	(6,253,489)	
Payments for insurance claims				(2,005,586)
Net Cash Provided (Used) by Operating Activities	<u>2,308,081</u>	<u>(374)</u>	<u>2,307,707</u>	<u>(222,488)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Other revenues	9,697		9,697	
Transfers in (out)/change in interfund payables	(1,104,703)	(16,691)	(1,121,394)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,095,006)</u>	<u>(16,691)</u>	<u>(1,111,697)</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Proceeds from bond issue	1,316,349		1,316,349	
Acquisition and construction of capital assets	(42,012)		(42,012)	
Principal paid on long-term debt	(1,605,312)		(1,605,312)	
Bond issue costs	(25,060)		(25,060)	
Interest expense paid	(179,139)		(179,139)	
Net Cash Provided (Used) by Capital Financing Activities	<u>(535,174)</u>	<u>0</u>	<u>(535,174)</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	440	19	459	0
Net Increase (Decrease) in Cash and Cash Equivalents	678,341	(17,046)	661,295	(222,488)
Cash and Cash Equivalents - Beginning of Year	405,540	29,004	434,544	172,845
Cash and Cash Equivalents - End of Year	<u>\$ 1,083,881</u>	<u>11,958</u>	<u>1,095,839</u>	<u>(49,643)</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,242,224	(374)	1,241,850	(222,488)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	770,841		770,841	
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(49,604)		(49,604)	
(Increase) decrease in other current assets	248,703		248,703	
(Increase) decrease in deferred outflows of resources - pension	(248,380)		(248,380)	
(Increase) decrease in deferred outflows of resources - refunding charges	(136,355)		(136,355)	
Increase (decrease) in claims payable	34,784		34,784	
Increase (decrease) in customer deposits	(3,317)		(3,317)	
Increase (decrease) in compensated absences	2,904		2,904	
Increase (decrease) in pension liability	446,281		446,281	
Total adjustments	<u>1,065,857</u>	<u>0</u>	<u>1,065,857</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,308,081</u>	<u>(374)</u>	<u>2,307,707</u>	<u>(222,488)</u>

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

City of Pearl  
Statement of Fiduciary Assets and Liabilities  
September 30, 2015

Exhibit 9

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>4,866</u>
Total Assets	\$ <u><u>4,866</u></u>
<b>LIABILITIES</b>	
Due to state treasury	\$ <u>4,866</u>
Total Liabilities	\$ <u><u>4,866</u></u>

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

**CITY OF PEARL**

**NOTES TO FINANCIAL STATEMENTS**

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**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 has determined that it is not financially accountable for the potential component under criteria set forth by the Governmental Accounting Standards Board (GASB).

There are no other potential component units.

**B. Basis of Presentation.**

**Government-wide Financial Statements.**

The Statement of Net Position and Statement of Activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements.**

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 as Other Governmental Funds.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**C. Measurement Focus and Basis of Accounting.**

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with Proprietary Funds' primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and 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 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* - These funds account for employee health insurance provided to other departments of the City on a cost reimbursement basis.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

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.

**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.*

Receivables represent amounts due to the City for revenue earned that will be collected sometime in the future. Receivables are reported net of allowances for uncollectible accounts, where applicable.

3. *Interfund Transactions and Balances.*

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. *Capital Assets.*

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets, other than infrastructure, costs has been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are 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.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

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.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

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.

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.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

7. *Pensions.*

For purposes of measuring the net pension liability, deferred outflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. *Long-term Liabilities.*

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the proprietary 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 statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premiums.

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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Equity Classifications.*

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as Net Position on the government-wide and proprietary funds financial statements and as Fund Balance in the governmental funds financial statements.

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."

Net Position Flow Assumption:

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

## CITY OF PEARL

### Notes to the Financial Statements For the Year Ended September 30, 2015

#### Fund Financial Statements:

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

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

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

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

*Committed fund balance* includes amounts that 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.

*Assigned fund balance* includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.

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

#### Fund Balance Flow Assumption:

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

#### 10. *Intergovernmental Revenues in Government Funds.*

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**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. Change in Accounting Standard.**

The City implemented the following standards issued by GASB in the current year as required:

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

4. **Prior Period Adjustment.**

A summary of the significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities:

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
Implementation of GASB 68 and 71:	
Net pension liability (09/30/2014)	\$ (16,167,176)
Deferred outflows - contributions made during fiscal year 2014	<u>289,839</u>
Total prior period adjustment related to GASB 68 and 71	<u>(15,877,337)</u>
Total prior period governmental activities adjustments	<u>\$ (15,877,337)</u>

Business-type Activities:

Implementation of GASB 68 and 71:	
Net pension liability (09/30/2014)	\$ (1,912,869)
Deferred outflows - contributions made during fiscal year 2014	<u>34,293</u>
Total prior period adjustment related to GASB 68 and 71	<u>(1,878,576)</u>
Total prior period governmental activities adjustments	<u>\$ (1,878,576)</u>

Exhibit 7 - Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds:

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB 68 and 71:	
Net pension liability (09/30/2014)	\$ (1,912,869)
Deferred outflows - contributions made during fiscal year 2014	<u>34,293</u>
Total prior period adjustment related to GASB 68 and 71	<u>(1,878,576)</u>
Total prior period adjustments	<u>\$ (1,878,576)</u>

5. **Detailed Notes on All Funds.**

A. **Deposits.**

At year-end, the City's carrying amount of deposits was \$2,895,870 and the bank balance was \$5,328,066. 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.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
Sales tax	\$ 1,690,571		1,690,571
Property taxes	6,659,326		6,659,326
Accounts		1,150,102	1,150,102
Fines	3,653,759		3,653,759
From State of Mississippi	724,140		724,140
From Pearl/Richland Intermodal	764,699		764,699
Other receivables	269,216	16,602	285,818
HOME Grant receivable	<u>474,000</u>		<u>474,000</u>
Gross receivables	14,235,711	1,166,704	15,402,415
Less: Allowance for uncollectibles	<u>(3,244,354)</u>	<u>(87,861)</u>	<u>(3,332,215)</u>
Net total receivables	<u>\$ 10,991,357</u>	<u>1,078,843</u>	<u>12,070,200</u>
		<u>Unavailable</u>	<u>Unearned</u>
Unearned cash court bonds		\$	680,540
Property taxes receivable: General Fund		2,068,728	
Debt Service Fund		<u>4,396,046</u>	
Total deferred/unearned revenue for governmental funds		<u>\$ 6,464,774</u>	<u>680,540</u>

**C. Deferred Outflows of Resources/Deferred Inflows of Resources.**

*Deferred Outflows of Resources*

The City reports the following items in this category:

Government-wide Statement of Net Position/Proprietary Fund Statements of Net Position

Deferred outflows related to pensions. This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates.

Deferred amount on bond refunding. This amount represents the unamortized balance of losses incurred in the refunding of bonds.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

*Deferred Inflows of Resources*

The City reports the following items in this category:

Government-wide Statement of Net Position

Property tax for future periods. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

Governmental Funds Balance Sheet

Property tax for future periods. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

Unavailable revenue – fines. This amount represents the portion of fines receivable that does not meet the current financial resources criteria, and accordingly, will not be available until a future reporting period.

**D. Capital Assets.**

Capital asset activity for the year ended September 30, 2015, is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,823,661	25,000			7,848,661
Construction in progress	7,462,121	1,462,417		(6,685,011)	2,239,527
Total capital assets, not being depreciated	<u>15,285,782</u>	<u>1,487,417</u>	<u>0</u>	<u>(6,685,011)</u>	<u>10,088,188</u>
Capital assets, being depreciated:					
Buildings	15,958,296			6,685,011	22,643,307
Improvements other than buildings	24,987,358		(15,901)		24,971,457
Streets	23,194,931				23,194,931
Bridges	668,537				668,537
Machinery and equipment	14,635,405	210,493	(1,428,865)	405,395	13,822,428
Leased equipment	2,884,429	244,565		(405,395)	2,723,599
Total capital assets being depreciated	<u>82,328,956</u>	<u>455,058</u>	<u>(1,444,766)</u>	<u>6,685,011</u>	<u>88,024,259</u>
Less: Accumulated depreciation for:					
Buildings	(3,498,975)	(409,116)			(3,908,091)
Improvements other than buildings	(5,597,084)	(280,430)	1,590		(5,875,923)
Streets	(9,805,144)	(800,477)			(10,605,621)
Bridges	(280,787)	(13,371)			(294,158)
Machinery and equipment	(11,213,313)	(893,057)	1,239,650	(202,697)	(11,069,418)
Leased equipment	(1,696,028)	(304,392)		202,697	(1,797,723)
Total accumulated depreciation	<u>(32,091,331)</u>	<u>(2,700,844)</u>	<u>1,241,240</u>	<u>(0)</u>	<u>(33,550,935)</u>
Total capital assets, being depreciated, net	<u>50,237,625</u>	<u>(2,245,786)</u>	<u>(203,526)</u>	<u>6,685,011</u>	<u>54,473,324</u>
Governmental activities capital assets, net	<u>\$ 65,523,407</u>	<u>(758,369)</u>	<u>(203,526)</u>	<u>(0)</u>	<u>64,561,512</u>

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

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

	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	<u>401,636</u>	<u>0</u>	<u>0</u>	<u>401,636</u>
Capital assets, being depreciated:				
Buildings	92,793			92,793
Water system	13,424,227	42,012		13,466,239
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	<u>37,712,930</u>	<u>42,012</u>	<u>0</u>	<u>37,754,942</u>
Less: Accumulated depreciation for:				
Buildings	(90,367)	(270)		(90,637)
Water system	(7,456,126)	(333,776)		(7,789,902)
Sewer system	(13,791,562)	(402,853)		(14,194,415)
Leased equipment	(63,553)	(20,280)		(83,833)
Machinery and equipment	(2,040,706)	(13,662)		(2,054,368)
Total accumulated depreciation	<u>(23,442,314)</u>	<u>(770,841)</u>	<u>0</u>	<u>(24,213,154)</u>
Total capital assets, being depreciated, net	<u>14,270,617</u>	<u>(728,829)</u>	<u>0</u>	<u>13,541,787</u>
Business-type activities capital assets, net	\$ <u>14,672,253</u>	<u>(728,829)</u>	<u>0</u>	<u>13,943,424</u>

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

Governmental activities:	
General government	\$ 139,342
Public safety	1,093,277
Public works	986,071
Health and welfare	67,312
Culture and recreation	<u>414,842</u>
Total depreciation expense - governmental activities	\$ <u>2,700,844</u>
Business-type activities:	
Water and sewer	\$ <u>770,841</u>
Total depreciation expense - business-type activities	\$ <u>770,841</u>

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**E. Interfund Receivables, Payables and Transfers.**

The composition of interfund balances as of September 30, 2015, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Police Forfeiture/Seizure	General	\$ 1,521,877
Water/Sewer	General	367,387
Capital Improvements	General	350,507
Debt Service	Water/Sewer	134,871
Other Governmental Funds	Water/Sewer	628,022
Other Governmental Funds	General	305,019
General	Police Forfeiture/Seizure	179,543
General	Internal Service Fund	68,487
General	Police Forfeiture/Seizure	4,294
General	Other Governmental Funds	<u>303,032</u>
Total		<u>\$ 3,863,039</u>

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

Interfund Transfers:

Transfers Out:

General Fund	\$ 911,474
Police Seizure Fund	189,902
Capital Improvements Fund	1,014
Other Governmental Funds	12,520
Water/Sewer Fund	<u>343,083</u>
Total Transfers Out	<u>\$ 1,457,993</u>

Transfers In:

Police Seizure Fund	\$ 240,174
Debt Service Fund	1,157,316
Capital Improvements Fund	35,437
Water/Sewer Fund	<u>25,066</u>
Total Transfers In	<u>\$ 1,457,993</u>

Transfers are made primarily for debt service, internal service charges and to distribute receipts from the State that are deposited into the General Fund.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**F. Leases.**

Capital Leases.

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in the governmental 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, 2015:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 2,723,599
Less: Accumulated depreciation	(1,797,723)
 Total	 \$ 925,876

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 are as follows:

Year Ending September 30,	Governmental Activities
2016	\$ 463,259
2017	311,685
2018	179,799
2019	55,841
2020	55,841
2021-2022	111,681
 Total minimum lease payments	 1,178,106
Less: Amount representing interest	(61,490)
 Present value of minimum lease payments	 \$ 1,116,616

**G. Long-term Debt.**

Bonds

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. 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. Tax increment financing bonds and special assessment bonds will be repaid from incremental taxes and special assessments on the subject property and not the full faith and credit of the City. Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	0.9% - 5.95%	\$ 21,145,079
Unamortized premium		56,990
Business-type activities	0.9% - 4.0%	3,310,625
Unamortized premium		23,449
 Total		 \$ 24,536,143

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,700,256	663,255	189,744	152,457
2017	1,690,374	615,004	199,627	145,757
2018	1,585,491	566,389	209,510	138,622
2019	1,410,608	517,054	219,392	131,190
2020	1,430,727	471,132	229,275	121,407
2021-2025	6,868,650	1,606,645	1,316,351	466,215
2026-2030	4,688,257	544,957	946,726	153,709
2031-2032	395,000	15,906		
Total	\$ <u>19,769,363</u>	<u>5,000,342</u>	<u>3,310,625</u>	<u>1,309,357</u>

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:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 118,000	17,211
2017	121,000	11,329
2018	106,000	5,298
Total	\$ <u>345,000</u>	<u>33,838</u>

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.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 229,931	54,168
2017	248,006	42,779
2018	261,341	30,134
2019	64,872	16,604
2020	68,607	12,868
2021-2024	157,959	22,176
Total	\$ <u>1,030,716</u>	<u>178,729</u>

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 were used to construct a new Public Safety Complex. At completion, the Corporation entered 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 \$80,297 which is not included in the principal in the following schedule:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 270,000	209,713
2017	280,000	204,313
2018	285,000	198,712
2019	290,000	193,013
2020	300,000	184,313
2021-2025	1,625,000	782,064
2026-2030	1,925,000	488,290
2031-2033	1,350,000	98,957
Total	\$ <u>6,325,000</u>	<u>2,359,375</u>

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.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

Loans currently outstanding are as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental Activities:</b>		
Capital Improvement (CAP)	3.0% - 4.25%	\$ 957,373
Mississippi Development Bank - Trustmark Community Bank	3.02% - 6.15%	5,280,000
	1.35%-1.68%	1,439,250
<b>Total Governmental Activities</b>		<u>7,676,623</u>
<b>Business-type Activities:</b>		
Capital Improvement (CAP)	3.0% - 4.25%	413,935
Mississippi Department of Health Drinking Water Systems Improvements Revolving Loan Fund (DWSIRLF)	3.0%	2,644,482
Mississippi Department of Environmental Quality Revolving Loan Fund	4.5%	2,375
<b>Total Business-type Activities</b>		<u>3,060,792</u>
<b>Total</b>		<u>\$ 10,737,414</u>

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,148,779	178,199	262,063	72,795
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	697,216	96,005	278,827	40,263
2021-2025	2,833,873	235,808	893,301	108,760
2026-2030			807,132	30,042
<b>Total</b>	<u>\$ 7,676,623</u>	<u>905,680</u>	<u>3,060,792</u>	<u>422,025</u>

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refunded Bonds</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>						
Bonds payable:						
General obligation bonds	\$ 21,450,291	2,013,651	(1,946,997)	(1,747,582)	19,769,363	1,700,256
Special assessment bonds	456,000		(111,000)		345,000	118,000
Tax increment financing bonds	1,583,892		(553,176)		1,030,716	229,931
Certificates of participation	6,590,000		(265,000)		6,325,000	270,000
Unamortized premiums - GO bonds	69,548		(12,558)		56,990	
Unamortized premiums - certificates of participation	84,885		(4,588)		80,297	
<b>Total bonds payable</b>	<b>30,234,616</b>	<b>2,013,651</b>	<b>(2,893,319)</b>	<b>(1,747,582)</b>	<b>27,607,366</b>	<b>2,318,187</b>
Capital leases	1,289,203	318,866	(491,450)		1,116,619	463,259
Loans payable	8,779,227	1,388,000	(2,490,604)		7,676,623	1,148,779
Compensated absences	307,913		(41,314)		266,599	
<b>Governmental activity long-term liabilities</b>	<b>\$ 40,610,959</b>	<b>3,720,517</b>	<b>(5,916,687)</b>	<b>(1,747,582)</b>	<b>36,667,207</b>	<b>3,930,225</b>
<b>Business-type Activities:</b>						
Bonds payable:						
General obligation bonds	\$ 3,304,697	1,316,349	(168,004)	(1,142,417)	3,310,625	189,744
Unamortized premiums	25,403		(1,954)		23,449	
<b>Total bonds payable</b>	<b>3,330,100</b>	<b>1,316,349</b>	<b>(169,958)</b>	<b>(1,142,417)</b>	<b>3,334,074</b>	<b>189,744</b>
Capital leases	12,615		(12,615)			
Loans payable	3,341,114		(280,322)		3,060,792	262,063
Compensated absences	34,037	2,904			36,941	
<b>Business-type activity long-term liabilities</b>	<b>\$ 6,717,866</b>	<b>1,319,253</b>	<b>(462,895)</b>	<b>(1,142,417)</b>	<b>6,431,807</b>	<b>451,807</b>

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 than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. As of September 30, 2015, the amount of outstanding debt was equal to 6.69% of the latest property assessments.

Current year Defeasance of Debt:

In fiscal year 2015, the City issued bonds to refund portions of an earlier issue. The bond refunded had a call provision to allow the City to pay off a portion of the outstanding balance. The proceeds of the refunding bond were transferred to a trust account to pay the debt when the call provisions are exercised. The earlier issue had an outstanding balance at September 30, 2015 of \$7,934,986, of which \$2,890,000 is callable in the years 2024, 2025, 2026 and 2028. The refunding of the issues resulted in a savings of \$180,845 and an economic gain of \$151,746.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

Summary of Refunding:

Refunding Issue:

<u>Date</u>	<u>Description</u>	<u>Issue Amount</u>
December 11, 2014	City of Pearl, Mississippi \$3,330,000 General Obligation Refunding Bonds, Series 2014	\$ 3,330,000

Refunded Issue:

<u>Date</u>	<u>Description</u>	<u>Original Issue</u>	<u>Amount Defeased</u>	<u>Non-Refunded Balance at 9/30/2015</u>
November 15, 2007	Mississippi Development Bank Special Obligation Bonds Series 2007	\$ 10,525,000	\$ 2,890,000	\$ 5,044,986

**6. 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 bonds. 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 2015, the City paid Bloomfield Equities, LLC \$589,902 under this agreement. In 2015, 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.

## CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

### 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, 2014 through September, 2015, the City paid \$3,139,487. For the twelve-month period beginning October 1, 2015, the City's annual financial responsibility will be \$2,948,819.

#### Pearl-Richland 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, 2015, the City is due a reimbursement of \$764,699 from the Commission for funds loaned to the Commission to cover expenditures not yet reimbursed by the State.

### 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. **Defined Benefit Pension Plan.**

General Information About the Pension Plan.

Plan Description. The City of Pearl is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the City. Code Section 25-11-15, Miss. Code Ann. (1972), grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

Benefits Provided. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972), and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions. Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2015, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2015, 2014, and 2013 were \$1,426,817, \$1,433,970, and \$1,315,270, respectively. The contributions for each year met the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions.

At September 30, 2015, the City of Pearl reported a liability of \$22,298,205 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 0.14425 percent, which was a decrease of 0.004702 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City of Pearl recognized pension expense of \$2,204,865.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

At September 30, 2015, the City of Pearl reported as a component of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 343,157
Net difference between projected and actual earnings on pension plan investments	1,304,684
Change in assumption	1,920,914
Changes in proportion and differences between entity contributions and proportionate share of contributions	(1,231,330)
City contributions subsequent to the measurement date	<u>334,264</u>
Total	<u>\$ 2,671,689</u>

\$334,265 reported as deferred outflows of resources related to pensions resulting from entity contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 724,630
2017	724,630
2018	561,996
2019	<u>326,170</u>
Total	<u>\$ 2,337,426</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, set forward one year for males.

The actuarial assumption used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the pension July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
<b>Total</b>	<b>100.00 %</b>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City of Pearl's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75% , as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability \$	29,391,077	22,298,205	16,412,448

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at [www.pers.ms.gov](http://www.pers.ms.gov).

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**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:

<u>Title</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Issue Amount</u>	<u>Current Balance</u>
Taxable Urban Renewal Revenue Refunding Bond Series 2013	05/05/2015	11/01/2034	\$ 10,000,000	\$ 10,000,000
Variable Rate Demand Revenue Bond, Series 2004A (Childre Road Urban Renewal Project)	12/30/2004	11/01/2019	\$ 43,000,000	\$ 17,240,000
Taxable Urban Renewal Revenue Refunding Bond, Series 2012	06/19/2012	11/01/2024	\$ 18,250,000	\$ 15,840,000

**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.

CITY OF PEARL

Notes to the Financial Statements  
For the Year Ended September 30, 2015

**I. Subsequent Events.**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Pearl evaluated the activity of the City through June 21, 2016, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/22/2015	1.970%	\$ 23,000	Lease purchase	Police seizure funds
10/22/2015	1.970%	\$ 23,000	Lease purchase	Police seizure funds
10/22/2015	1.970%	\$ 23,000	Lease purchase	Police seizure funds
10/30/2015	3.061%	\$ 470,353	Lease purchase	Police seizure funds
12/04/2015	2.280%	\$ 245,021	Lease purchase	Golf user fees
02/01/2016	3.596%	\$ 1,997,339	Lease purchase	Ad valorem taxes and fire insurance rebates
04/26/2016	2.190%	\$ 20,798	Lease purchase	Ad valorem taxes

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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:  
General Fund  
Police Forfeiture/Seizure Fund

Schedule of the City's Contributions – PERS

Schedule of the City's Proportionate Share of the Net Pension Liability – PERS

**City of Pearl  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 2,034,683	2,085,848	2,085,848	
Licenses and permits	364,500	242,760	242,760	
Fines and forfeitures	1,894,000	1,874,355	1,874,355	
Intergovernmental revenues	11,741,200	12,210,238	12,210,238	
Charges for services	1,496,500	1,329,824	1,329,824	
Miscellaneous revenues	1,533,000	689,766	689,766	
Total Revenues	<u>19,063,883</u>	<u>18,432,791</u>	<u>18,432,791</u>	<u>0</u>
<b>EXPENDITURES</b>				
General government	3,047,572	4,149,059	4,149,059	
Public safety	11,418,622	11,059,372	11,059,372	
Public works	3,170,759	1,643,425	1,643,425	
Health and welfare	555,262	434,625	434,625	
Culture and recreation	1,760,054	1,116,697	1,116,697	
Total Expenditures	<u>19,952,269</u>	<u>18,403,178</u>	<u>18,403,178</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(888,386)</u>	<u>29,613</u>	<u>29,613</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of debt		1,388,000	1,388,000	
Transfers out		(909,975)	(909,975)	
Total Other Financing Sources and Uses	<u>0</u>	<u>478,025</u>	<u>478,025</u>	<u>0</u>
Net Change in Fund Balance	(888,386)	507,638	507,638	0
Fund Balances - Beginning	<u>1,500,000</u>	<u>(1,426,391)</u>	<u>(1,426,391)</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 611,614</u>	<u>(918,753)</u>	<u>(918,753)</u>	<u>0</u>

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

**City of Pearl**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**Police Forfeiture/Seizure Fund**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenues	\$ 727,500	485,178	485,178	
Interest income		403	403	
Miscellaneous revenues	50,500	7,200	7,200	
Total Revenues	<u>778,000</u>	<u>492,781</u>	<u>492,781</u>	<u>0</u>
<b>EXPENDITURES</b>				
Public safety	1,425,607	1,076,440	1,076,440	
Total Expenditures	<u>1,425,607</u>	<u>1,076,440</u>	<u>1,076,440</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(647,607)</u>	<u>(583,659)</u>	<u>(583,659)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	170,388	151,638	151,638	
Total Other Financing Sources and Uses	<u>170,388</u>	<u>151,638</u>	<u>151,638</u>	<u>0</u>
Net Change in Fund Balance	(477,219)	(432,021)	(432,021)	0
Fund Balances - Beginning	<u>522,219</u>	<u>69,107</u>	<u>69,107</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 45,000</u>	<u>(362,914)</u>	<u>(362,914)</u>	<u>0</u>

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

**City of Pearl**  
**Schedule of the City's Contributions - PERS**  
**Last 10 Fiscal Years\***  
**For the Year Ended September 30, 2015**

	<u>2015</u>
Contractually required contribution	\$ 1,426,817
Contributions in relation to the contractually required contribution	<u>1,426,817</u>
Contribution deficiency (excess)	<u>\$ 0</u>
City's covered-employee payroll	\$ 9,059,156
Contributions as a percentage of covered-employee payroll	15.75%

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

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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**City of Pearl**  
**Schedule of the City's Proportionate Share of the Net Pension Liability - PERS**  
**Last 10 Fiscal Years\***  
**For the Year Ended September 30, 2015**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.144250%	0.148952%
City's proportionate share of the net pension liability (asset)	\$ 22,298,205	\$ 18,080,045
City's covered-employee payroll	\$ 9,059,156	\$ 9,104,921
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	246.139983%	198.574430%
Plan fiduciary net position as a percentage of the total pension liability	61.703983%	67.207687%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 prior to the fiscal year presented.

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and until a full 10- year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF PEARL

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2015

1. **Budget.**

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:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Police Forfeiture/ Seizure Fund</u>
Net Changes in Fund Balance - Budget (Cash Basis)	\$ 507,638	(432,021)
Increase (decrease):		
Net adjustments for revenue and expense accruals	<u>63,890</u>	<u>(1,871)</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 571,528</u>	<u>(433,892)</u>

CITY OF PEARL

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2015

**2. Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.**

**Changes of Assumptions.**

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**CITY OF PEARL**

**SUPPLEMENTAL INFORMATION**

**City of Pearl  
Schedule of Surety Bonds For Municipal Officials  
For the Year Ended September 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Surety Agency</u>	<u>Bond Amount</u>
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
Vacant	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Mary Jane Pickle	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
Hazel Rogers	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
Angela Jones	Senior Programs Asst. Director	Travelers Casualty & Surety	50,000
Various	Police Officers	Travelers Casualty & Surety	25,000
Various	Dispatchers	Travelers Casualty & Surety	50,000
Rebecca Collins	Parks and Rec. Clerk	Travelers Casualty & Surety	50,000
William Sutton	Building Inspector	Travelers Casualty & Surety	50,000

**City of Pearl  
Schedule of Expenditures of Federal Awards  
September 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursement/ Expenditure</u>
<b>Major Federal Awards:</b>				
U. S. Department of Transportation/ Mississippi Department of Transportation Pearl-Richland Intermodal Connector	20.205	P.L.104-0447	STPD-7040-00-(001) LPA	\$ 823,222
U. S. Department of Transportation/ Mississippi Department of Transportation West Rankin Parkway	20.205	P.L.104-0447	STPD-7334-00-(007)LPA	5,578,974
U. S. Department of Transportation/ Mississippi Department of Transportation MDOT Landscaping Project	20.205	P.L.104-0447	STPD-7314-00-(024) LPA	245,417
U. S. Department of Transportation/ Mississippi Department of Transportation MDOT Signal Project	20.205	P.L.104-0447	STPD-0191-00-(026) LPA	<u>365,561</u>
<b>Total Major Federal Awards</b>				<u>7,013,174</u>
<b>Other Federal Awards:</b>				
Office of National Drug Policy HIDTA Grant	07.UN		G14GC003A	22,907
U. S Department of Agriculture/Central Mississippi Planning and Development District/Nutrition Program for the Elderly	93.045		378M47	27,896
U. S. Department of Agriculture/Central Mississippi Planning and Development District/Nutrition Program for the Elderly	93.053		378M47	<u>6,201</u>
<b>Total Other Federal Awards</b>				<u>57,004</u>
<b>Total Expenditures of Federal Awards</b>				\$ <u>7,070,178</u>

**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.

The Pearl-Richland Intermodal Connector project is a joint project for which the City is the lead city member. As lead, the City is required to report the grant expenditures on this schedule. However, the actual disbursements and related receipts are not recorded on the City's books.

**CITY OF PEARL**

**SPECIAL REPORTS**

# Windham and Lacey, PLLC

*Certified Public Accountants*

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

Members:  
American Institute of CPAs  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE  
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2016. 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 the 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 15-1 and 15-2 to be material weaknesses.

## **Compliance and Other Matters**

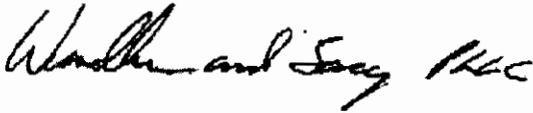
As part of obtaining reasonable assurance about whether the City of Pearl, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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  
June 21, 2016

# Windham and Lacey, PLLC

*Certified Public Accountants*

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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, 2015. 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, 2015.

## 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  
June 21, 2016

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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 the City of Pearl, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2016. 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  
June 21, 2016

**CITY OF PEARL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF PEARL

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2015

**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
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? No
  
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

CITY OF PEARL

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2015

- |     |   |           |
|-----|---|-----------|
| 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**

15 - 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.

15 - 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. As reported in prior years, 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.

CITY OF PEARL

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2015

Recommendation

The City should develop procedures to properly record and document interfund transactions. Because of the volume of such transactions, 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.

**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.