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PEARL PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2013



PEARL PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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**Member MSCP**  
**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Pearl Public School District School District

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 49-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

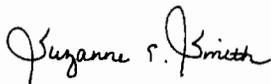
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014, on our consideration of the Pearl Public School District School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearl Public School District School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA  
Meridian, Mississippi

March 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Pearl Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$3,316,519, which represents an 11% increase from fiscal year 2012. Total net position for 2012 increased \$1,651,571, which represents a 6% increase from fiscal year 2011.
- General revenues amounted to \$27,054,691 and \$26,453,075, or 77% and 80% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,856,982, or 23% of total revenues for 2013, and \$6,608,144, or 20% of total revenues for 2012.
- The District had \$31,595,154 and \$31,409,648 in expenses for fiscal years 2013 and 2012; only \$7,856,982 for 2013 and \$6,608,144 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$27,054,691 for 2013 and \$26,453,075 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$26,170,589 in revenues and \$26,225,845 in expenditures for 2013, and \$25,773,444 in revenues and \$25,337,009 in expenditures in 2012. The General Fund's fund balance increased by \$2,068,330 from 2012 to 2013, and increased by \$381,416 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$78,268 for 2013 and increased by \$1,082,694 for 2012. The increase for 2013 was due primarily due to the purchase of capital assets and construction expenditures.
- Long-term debt, including the liability for compensated absences, decreased by \$1,937,185 for 2013 and decreased by \$1,838,264 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,554 for 2013 and increased by \$1,504 for 2012.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$32,664,910 as of June 30, 2013.

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

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

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<b>Percentage Change</b>
Current assets	\$ 12,243,236	\$ 12,680,579	-3.45 %
Restricted assets	701,811	823,761	-14.80 %
Capital assets, net	29,465,369	29,387,101	0.27 %
<b>Total assets</b>	<b><u>42,410,416</u></b>	<b><u>42,891,441</u></b>	<b>-1.12 %</b>
Current liabilities	413,569	2,320,412	-82.18 %
Long-term debt outstanding	9,331,937	11,222,638	-16.85 %
<b>Total liabilities</b>	<b><u>9,745,506</u></b>	<b><u>13,543,050</u></b>	<b>-28.04 %</b>
<b>Net position:</b>			
Net investment in capital assets	20,392,294	18,414,771	10.74 %
Restricted	2,040,135	3,868,598	-47.26 %
Unrestricted	10,232,481	7,065,022	44.83 %
<b>Total net position</b>	<b><u>\$ 32,664,910</u></b>	<b><u>\$ 29,348,391</u></b>	<b>11.30 %</b>

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

- Increase in net capital assets in the amount of \$78,268.
- The principal retirement of \$1,945,739 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$34,911,673 and \$33,061,219, respectively. The total cost of all programs and services was \$31,595,154 for 2013 and \$31,409,648 for 2012.

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

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

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3,361,664	\$ 1,526,546	120.21 %
Operating grants and contributions	4,495,318	5,081,598	(11.54) %
General revenues:			
Property taxes	11,455,293	11,033,470	3.82 %
Grants and contributions not restricted	15,255,404	14,890,752	2.45 %
Investment earnings	16,809	168,010	(90.00) %
Sixteenth section sources	280,812	302,790	(7.26) %
Other	46,373	58,053	(20.12) %
<b>Total revenues</b>	<b><u>34,911,673</u></b>	<b><u>33,061,219</u></b>	<b>5.60 %</b>
<b>Expenses:</b>			
Instruction	17,650,559	17,416,822	1.34 %
Support services	10,467,769	10,208,687	2.54 %
Non-instructional	3,154,556	3,235,050	(2.49) %
Sixteenth section	33,036	119,135	(72.27) %
Interest on long-term liabilities	289,234	429,954	(32.73) %
<b>Total expenses</b>	<b><u>31,595,154</u></b>	<b><u>31,409,648</u></b>	<b>0.59 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>3,316,519</u></b>	<b><u>1,651,571</u></b>	<b>100.81 %</b>
<b>Net Position, July 1</b>	<b><u>29,348,391</u></b>	<b><u>27,696,820</u></b>	<b>5.96 %</b>
<b>Net Position, June 30</b>	<b><u>\$ 32,664,910</u></b>	<b><u>\$ 29,348,391</u></b>	<b>11.30 %</b>

**Governmental activities**

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

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

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 17,650,559	\$ 17,416,822	1.34 %
Support services	10,467,769	10,208,687	2.54 %
Non-instructional	3,154,556	3,235,050	(2.49) %
Sixteenth section	33,036	119,135	(72.27) %
Interest on long-term liabilities	289,234	429,954	(32.73) %
<b>Total expenses</b>	<b>\$ 31,595,154</b>	<b>\$ 31,409,648</b>	<b>0.59 %</b>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (14,607,858)	\$ (14,554,865)	0.36 %
Support services	(7,807,052)	(8,738,218)	(10.66) %
Non-instructional	(1,000,992)	(959,332)	4.34 %
Sixteenth section	(33,036)	(119,135)	(72.27) %
Interest on long-term liabilities	(289,234)	(429,954)	(32.73) %
<b>Total net (expense) revenue</b>	<b>\$ (23,738,172)</b>	<b>\$ (24,801,504)</b>	<b>(4.29) %</b>

- Net cost of governmental activities [(\$23,738,172) for 2013 and (\$24,801,504) for 2012] was financed by general revenue, which is primarily made up of property taxes (\$11,455,293 for 2013 and \$11,033,470 for 2012) and state and federal revenues (\$15,255,404 for 2013 and \$14,890,752 for 2012). In addition, there was \$280,812 and \$302,790 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$16,809 for 2013 and \$168,010 for 2012.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,608,749, an increase of \$1,296,443, which includes a decrease in inventory of \$15,260. \$4,592,050, or 36% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$8,016,699 or 64% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,068,330. The fund balance of Other Governmental Funds showed a decrease in the amount of \$771,887, which includes a decrease in reserve for inventory of \$15,260. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	\$ no change
Idea Part B Fund	no change

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$46,987,910 including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,066,628 from 2012. Total accumulated depreciation as of June 30, 2013, was \$17,522,541, and total depreciation expense for the year was \$1,159,329, resulting in total net capital assets of \$29,465,369.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 134,110	\$ 134,110	0.00 %
Construction in progress	-	1,908,834	(100.00) %
Buildings	25,672,604	23,836,201	7.70 %
Building improvements	45,515	47,791	(4.76) %
Improvements other than buildings	459,516	478,767	(4.02) %
Mobile equipment	964,140	1,012,605	(4.79) %
Furniture and equipment	597,308	324,189	84.25 %
Leased property under capital lease	1,592,176	1,644,604	(3.19) %
<b>Total</b>	<b>\$ 29,465,369</b>	<b>\$ 29,387,101</b>	<b>0.27 %</b>

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

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

**Debt Administration.** At June 30, 2013, the District had \$9,610,835 in outstanding long-term debt, of which \$2,022,318 is due within one year. The liability for compensated absences increased \$8,554 from the prior year. The district made principal payments on long-term debt in the amount of \$1,945,739.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
General obligation refunding bonds payable	\$ 8,545,000	\$ 9,870,000	(13.42) %
Limited obligation bonds payable	180,000	365,000	(50.68) %
Obligations under capital lease	626,973	1,062,712	(41.00) %
Compensated absences payable	258,862	250,308	3.42 %
<b>Total</b>	<b><u>\$ 9,610,835</u></b>	<b><u>\$ 11,548,020</u></b>	<b>(16.78) %</b>

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

### **CURRENT ISSUES**

Pearl Public School District is financially stable. The district is proud of its community support of the public schools. The district has committed itself to financial excellence. The district plans to continue its sound fiscal management to meet the challenges of the future.

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

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pearl Public School District School District, 3375 Highway 80 East, Pearl, MS 39208.

FINANCIAL STATEMENTS

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**Pearl Public School District**

**Statement of Net Position**  
**June 30, 2013**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 11,560,752
Due from other governments	647,901
Inventories	34,583
Restricted assets	701,811
Capital assets, net of accumulated depreciation	29,465,369
Total Assets	42,410,416
<b>Liabilities</b>	
Accounts payable and accrued liabilities	336,298
Interest payable on long-term liabilities	77,271
Long-term liabilities, due within one year:	
Capital related liabilities	2,022,318
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,329,655
Non-capital related liabilities	258,862
Deferred charges on refunding debt	(271,835)
Deferred premiums on refunding debt	9,695
Deferred discounts on refunding debt	(16,758)
Total Liabilities	9,745,506
<b>Net Position</b>	
Net investment in capital assets	20,392,294
Restricted for:	
Expendable:	
School-based activities	977,405
Debt service	382,537
Forestry improvements	43,502
Unemployment benefits	140,795
Non-expendable:	
Sixteenth section	495,896
Unrestricted	10,232,481
Total Net Position	\$ 32,664,910

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

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Pearl Public School District

Statement of Activities

For the Year Ended June 30, 2013

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:			Capital Grants and Contributions	Governmental Activities
Instruction	\$ 17,650,559	1,117,335	1,925,366	(14,607,858)
Support services	10,467,769	1,796,088	864,629	(7,807,052)
Non-instructional	3,154,556	448,241	1,705,323	(1,000,992)
Sixteenth section	33,036			(33,036)
Interest on long-term liabilities	289,234			(289,234)
<b>Total Governmental Activities</b>	<b>\$ 31,595,154</b>	<b>3,361,664</b>	<b>4,495,318</b>	<b>(23,738,172)</b>

General Revenues:	
Taxes:	
General purpose levies	9,864,316
Debt purpose levies	1,590,977
Unrestricted grants and contributions:	
State	15,157,848
Federal	97,556
Unrestricted investment earnings	16,809
Sixteenth section sources	280,812
Other	46,373
<b>Total General Revenues</b>	<b>27,054,691</b>
<b>Change in Net Position</b>	<b>3,316,519</b>
<b>Net Position - Beginning</b>	<b>29,348,391</b>
<b>Net Position - Ending</b>	<b>\$ 32,664,910</b>

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

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**Pearl Public School District**  
Governmental Funds

**Balance Sheet**  
**June 30, 2013**

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	Idea Part B Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 10,178,695			1,877,953	12,056,648
Cash with fiscal agents				105,449	105,449
Due from other governments	300,251	134,962	146,966	166,188	748,367
Due from other funds	315,701				315,701
Inventories				34,583	34,583
Total assets	10,794,647	134,962	146,966	2,184,173	13,260,748
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	298,682			37,616	336,298
Due to other funds		134,962	146,966	33,773	315,701
Total Liabilities	298,682	134,962	146,966	71,389	651,999
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory				34,583	34,583
Permanent fund principal				495,896	495,896
<b>Restricted:</b>					
Debt service				459,808	459,808
Forestry improvement purposes				43,502	43,502
Grant activities	4,622			843,440	848,062
Unemployment benefits				140,795	140,795
Board activities				94,760	94,760
<b>Committed:</b>					
Debt service	644,239				644,239
Capital improvements	2,923,261				2,923,261
<b>Assigned:</b>					
Capital improvements	2,122,082				2,122,082
Student activities	209,711				209,711
<b>Unassigned</b>	4,592,050				4,592,050
Total Fund Balances	10,495,965	0	0	2,112,784	12,608,749
Total Liabilities and Fund Balances	\$ 10,794,647	134,962	146,966	2,184,173	13,260,748

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

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**Pearl Public School District**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**      **Exhibit C-1**  
**June 30, 2013**

**Total fund balances for governmental funds**      \$ 12,608,749

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

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

Land	\$ 134,110
Buildings	38,868,173
Building improvements	56,895
Improvements other than buildings	1,167,617
Mobile equipment	2,852,302
Furniture and equipment	1,949,642
Leased property under capital leases	1,959,171
Accumulated depreciation	<u>(17,522,541)</u>

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

General obligation bonds	(8,545,000)
Limited obligation bonds	(180,000)
Capital lease obligations	(626,973)
Compensated absences	(258,862)
Unamortized charges, bond discounts, and bond premiums	278,898
Accrued interest payable	<u>(77,271)</u>

**Net Position of governmental activities**      \$ 32,664,910

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

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**Pearl Public School District  
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2013**

**Exhibit D**

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 11,032,124			2,050,255	13,082,379
State sources	15,036,409			778,228	15,814,637
Federal sources	102,056	1,005,626	888,232	1,940,171	3,936,085
Sixteenth section sources				281,971	281,971
<b>Total Revenues</b>	<b>26,170,589</b>	<b>1,005,626</b>	<b>888,232</b>	<b>5,050,625</b>	<b>33,115,072</b>
<b>Expenditures:</b>					
Instruction	15,676,525	576,499	613,229	813,307	17,679,560
Support services	9,845,838	188,686	253,725	348,525	10,636,774
Noninstructional services	235,416	217,141		1,864,147	2,316,704
Sixteenth section				33,036	33,036
Facilities acquisition and construction				692,051	692,051
Debt service:					
Principal	435,739			1,510,000	1,945,739
Interest	32,327			261,530	293,857
Other				4,250	4,250
<b>Total Expenditures</b>	<b>26,225,845</b>	<b>982,326</b>	<b>866,954</b>	<b>5,526,846</b>	<b>33,601,971</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(55,256)</b>	<b>23,300</b>	<b>21,278</b>	<b>(476,221)</b>	<b>(486,899)</b>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	1,796,088				1,796,088
Sale of transportation equipment	2,001				2,001
Sale of other property	513				513
Operating transfers in	504,157			179,173	683,330
Operating transfers out	(179,173)	(23,300)	(21,278)	(459,579)	(683,330)
<b>Total Other Financing Sources (Uses)</b>	<b>2,123,586</b>	<b>(23,300)</b>	<b>(21,278)</b>	<b>(280,406)</b>	<b>1,798,602</b>
<b>Net Change in Fund Balances</b>	<b>2,068,330</b>	<b>0</b>	<b>0</b>	<b>(756,627)</b>	<b>1,311,703</b>
<b>Fund Balances:</b>					
July 1, 2012	8,427,635	0	0	2,884,671	11,312,306
Increase (Decrease) in reserve for inventory				(15,260)	(15,260)
<b>June 30, 2013</b>	<b>\$ 10,495,965</b>	<b>0</b>	<b>0</b>	<b>2,112,784</b>	<b>12,608,749</b>

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

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**Pearl Public School District**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2013**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 1,311,703**

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 1,248,967	
	Depreciation expense	<u>(1,159,329)</u>	89,638
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(11,370)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	1,945,739	
	Accrued interest payable	<u>51,107</u>	1,996,846
4.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	(8,554)	
	Change in inventory reserve	(15,260)	
	Amortization of deferred charges, premiums and discounts	<u>\$ (46,484)</u>	(70,298)
<b>Change in Net Position of governmental activities</b>			<b><u>\$ 3,316,519</u></b>

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

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Pearl Public School District

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2013

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,575,382
Total Assets	<u>1,575,382</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,531,368
Due to student clubs	44,014
Total Liabilities	<u>1,575,382</u>

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

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

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

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

**Title I Fund** – This is a special revenue fund that accounts for the revenues and expenditures associated with the Title I grants to local educational agencies award.

**Idea Part B Fund** – This is a special revenue fund that accounts for the revenues and expenditures associated with the Special education – grants to states federal award.

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

The district's fiduciary funds include the following:

**Payroll Clearing Fund** – This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the payroll expenditure control cycle.

**Accounts Payable Clearing Fund** – This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the non-payroll expenditure control cycle.

**Student Club Accounts** – These are fiduciary funds that account for the assets and liabilities associated with student club activities.

Additionally, the School District reports the following fund types:

#### GOVERNMENTAL FUNDS

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

**Capital Projects Funds** - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

**Permanent Funds** - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the District's programs.

#### FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the School District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-

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

term investments with original maturities of three months or less from the date of acquisition. The School District deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

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

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

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

9. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the school board, the District's highest level of decision-making authority. At June 30, 2013, the district committed \$2,923,261 for capital improvements and \$644,239 for debt service.

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

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

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

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

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the School District's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public

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

funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

**Cash and Cash Equivalents**

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,056,648 and \$1,575,382, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2013, none of the District's bank balance of \$14,309,229 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of the School District's cash with fiscal agents held by financial institutions was \$105,449 in the governmental funds statement. The balance of cash with fiscal agents held by financial institutions is shown as restricted assets on the Government-wide Statement of Net Position.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 134,962
	Idea Part B Fund	146,966
	Other governmental funds	33,773
Total		<u>\$ 315,701</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative Federal award program cash flows.

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

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 179,173
Title I Fund	General Fund	23,300
IDEA Part B Fund		21,278
Other governmental funds		459,579
Total		<u>\$ 683,330</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$495,896, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance and due from other governments balance, totaling \$105,449 and \$100,466, respectively, of the MAEP Limited Obligation Bond/Note Fund. Total restricted assets are \$701,811.

**Note 5 – Capital Assets**

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

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

	Balance 7/1/2012	Increases	Decreases	Completed Construction	Balance 6/30/2013
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 134,110				134,110
Construction-in-progress	1,908,834	692,051		(2,600,885)	-
<b>Total non-depreciable capital assets</b>	<b>2,042,944</b>	<b>692,051</b>	<b>-</b>	<b>(2,600,885)</b>	<b>134,110</b>
<u>Depreciable capital assets:</u>					
Buildings	36,267,288			2,600,885	38,868,173
Building improvements	56,895				56,895
Improvements other than buildings	1,149,038	18,579			1,167,617
Mobile equipment	2,798,090	103,722	49,510		2,852,302
Furniture and equipment	1,647,856	434,615	132,829		1,949,642
Leased property under capital leases	1,959,171				1,959,171
<b>Total depreciable capital assets</b>	<b>43,878,338</b>	<b>556,916</b>	<b>182,339</b>	<b>2,600,885</b>	<b>46,853,800</b>
<u>Less accumulated depreciation for:</u>					
Buildings	12,431,087	764,482			13,195,569
Building improvements	9,104	2,276			11,380
Improvements other than buildings	670,271	37,830			708,101
Mobile equipment	1,785,485	147,236	44,559		1,888,162
Furniture and equipment	1,323,667	155,077	126,410		1,352,334
Leased property under capital leases	314,567	52,428			366,995
<b>Total accumulated depreciation</b>	<b>16,534,181</b>	<b>1,159,329</b>	<b>170,969</b>	<b>-</b>	<b>17,522,541</b>
<b>Total depreciable capital assets, net</b>	<b>27,344,157</b>	<b>(602,413)</b>	<b>11,370</b>	<b>-</b>	<b>29,331,259</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 29,387,101</b>	<b>89,638</b>	<b>11,370</b>	<b>-</b>	<b>29,465,369</b>

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 24,792
Support services	228,023
Non-instructional	906,514
<b>Total depreciation expense - Governmental activities</b>	<b>\$ 1,159,329</b>

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

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation refunding bonds payable	\$ 9,870,000		1,325,000	8,545,000	1,390,000
B. Limited obligation bonds payable	365,000		185,000	180,000	180,000
C. Obligations under capital lease	1,062,712		435,739	626,973	452,318
D. Compensated absences payable	250,308	8,554		258,862	
<b>Total</b>	<b>\$ 11,548,020</b>	<b>8,554</b>	<b>1,945,739</b>	<b>9,610,835</b>	<b>2,022,318</b>
Add: Deferred amounts for premiums	11,310		1,615	9,695	
Less: Deferred amounts for discounts	(19,551)		(2,793)	(16,758)	
Less: Deferred amounts on refunding	(317,141)		(45,306)	(271,835)	
	<b>\$ 11,222,638</b>	<b>8,554</b>	<b>1,899,255</b>	<b>9,331,937</b>	

**A. General obligation refunding bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Refunding series 2010A	2.00 - 3.25%	9-Jan-10	1-Mar-18	\$ 4,140,000	\$ 2,435,000
Refunding series 2010B	2.00- 3.00%	16-Dec-10	2-Mar-19	7,210,000	6,110,000
<b>Total</b>				<b>\$ 11,350,000</b>	<b>\$ 8,545,000</b>

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

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

Limited obligation bond issue of January 9, 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 450,000	69,712	519,712
2015	470,000	58,462	528,462
2016	485,000	46,713	531,713
2017	505,000	32,163	537,163
2018	525,000	15,750	540,750
<b>Total</b>	<b>\$ 2,435,000</b>	<b>222,800</b>	<b>2,657,800</b>

This debt will be retired from the Bond Retirement Fund.

Limited obligation bond issue of December 16, 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 940,000	153,600	1,093,600
2015	985,000	134,800	1,119,800
2016	1,020,000	115,100	1,135,100
2017	1,070,000	89,600	1,159,600
2018	1,095,000	62,850	1,157,850
2019	1,000,000	30,000	1,030,000
<b>Total</b>	<b>\$ 6,110,000</b>	<b>585,950</b>	<b>6,695,950</b>

This debt will be retired from the Bond Retirement Fund.

Total general obligation refunding bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,390,000	223,312	1,613,312
2015	1,455,000	193,262	1,648,262
2016	1,505,000	161,813	1,666,813
2017	1,575,000	121,763	1,696,763
2018	1,620,000	78,600	1,698,600
2019	1,000,000	30,000	1,030,000
<b>Total</b>	<b>\$ 8,545,000</b>	<b>808,750</b>	<b>9,353,750</b>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 4.1% of property assessments as of October 1, 2012.

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

**B. Limited obligation bonds payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds	4.10-5.80%	1-Apr-98	1-Aug-13	\$ 3,000,000	\$ 180,000
Total				<u>\$ 3,000,000</u>	<u>\$ 180,000</u>

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

Three mill notes payable issue of April 1, 1998:

Year Ending June 30	Principal	Interest	Total
2014	\$ 180,000	3,870	183,870
Total	<u>\$ 180,000</u>	<u>3,870</u>	<u>183,870</u>

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

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$3,000,000 in limited obligation bonds payable issued April 1, 1998. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through August 1, 2013. Annual principal and interest payments on the bonds are expected to require approximately one (1) percent of such state revenues. The total principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$196,718 and \$14,746,734, respectively.

**C. Obligations under capital lease**

The school district has entered into a lease agreement as lessee for financing the acquisition of real property improvements at a cost of \$1,959,171. The lease qualifies as a capital lease for accounting purposes. The various options available to the lessee for this lease are as follows:

1. Title to the improvements passes to the school district upon final payment of the lease.

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 452,318	15,748	468,066
2015	174,655	1,519	176,174
Total	\$ 626,973	17,267	644,240

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with the accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

The debt will be retired from the District Maintenance Fund.

**D. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,463,872, \$2,197,381 and \$2,010,259, respectively, which equaled the required contributions for each year.

**Note 8 – Sixteenth Section Lands**

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

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

Year Ending June 30	Amount
2014	\$ 269,890
2015	269,890
2016	269,890
2017	269,890
2018	269,890
2019 – 2023	1,329,494
2024 – 2028	1,325,405
2029 – 2033	1,125,405
Thereafter	2,169,553
<b>Total</b>	<b>\$ 7,299,307</b>

**Note 9 – Contingencies**

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

**Note 10 – Risk Management**

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 11 – Insurance loss recovery**

The Pearl Public School District received \$1,796,088 in insurance loss recoveries related to roof damage from a hail storm during the 2012-2013 year. In the government-wide Statement of Activities, the insurance loss recovery was reported as charges for services and allocated among the expense functions based on the following percentages:

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

Insurance Loss		
Recovery	Percentage	Expense Function
\$1,796,088	100%	Support Services

**Note 12 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Pearl Public School District evaluated the activity of the district through March 7, 2014, and determined that there was no subsequent event that has occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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**Pearl Public School District**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 10,423,139	11,032,124	11,032,124	608,985	0
State sources	14,962,044	15,036,409	15,036,409	74,365	0
Federal sources	88,216	102,056	102,056	13,840	0
<b>Total Revenues</b>	<b>25,473,399</b>	<b>26,170,589</b>	<b>26,170,589</b>	<b>697,190</b>	<b>0</b>
<b>Expenditures:</b>					
Instruction	16,218,668	15,676,525	15,676,525	542,143	0
Support services	9,607,188	9,845,838	9,845,838	(238,650)	0
Noninstructional services	357,402	235,416	235,416	121,986	0
Debt service:					
Principal	435,739	435,739	435,739	0	0
Interest	32,327	32,327	32,327	0	0
<b>Total Expenditures</b>	<b>26,651,324</b>	<b>26,225,845</b>	<b>26,225,845</b>	<b>425,479</b>	<b>0</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,177,925)	(55,256)	(55,256)	1,122,669	0
<b>Other Financing Sources (Uses):</b>					
Insurance recovery		1,796,088	1,796,088	1,796,088	0
Sale of transportation equipment		2,001	2,001	2,001	0
Sale of other property		513	513	513	0
Operating transfers in	3,305,014	4,944,198	504,157	1,639,184	(4,440,041)
Operating transfers out	(3,224,795)	(4,617,488)	(179,173)	(1,392,693)	4,438,315
<b>Total Other Financing Sources (Uses)</b>	<b>80,219</b>	<b>2,125,312</b>	<b>2,123,586</b>	<b>2,045,093</b>	<b>(1,726)</b>
<b>Net Change in Fund Balances</b>	<b>(1,097,706)</b>	<b>2,070,056</b>	<b>2,068,330</b>	<b>3,167,762</b>	<b>(1,726)</b>
<b>Fund Balances:</b>					
July 1, 2012	7,797,567	7,817,772	8,427,635	20,205	609,863
June 30, 2013	\$ 6,699,861	9,887,828	10,495,965	3,187,967	608,137

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

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**Pearl Public School District**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,369,774	1,162,383	1,005,626	(207,391)	(156,757)
Total Revenues	1,369,774	1,162,383	1,005,626	(207,391)	(156,757)
<b>Expenditures:</b>					
Instruction	778,004	673,791	576,499	104,213	97,292
Support services	266,932	216,596	188,686	50,336	27,910
Noninstructional services	298,996	246,971	217,141	52,025	29,830
Total Expenditures	1,343,932	1,137,358	982,326	206,574	155,032
Excess (Deficiency) of Revenues over (under) Expenditures	25,842	25,025	23,300	(817)	(1,725)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(25,842)	(25,025)	(23,300)	817	1,725
Total Other Financing Sources (Uses)	(25,842)	(25,025)	(23,300)	817	1,725
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2012	0	0	0	0	0
June 30, 2013	\$ 0	0	0	0	0

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

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**Pearl Public School District**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Idea Part B Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 975,389	1,220,074	888,232	244,685	(331,842)
Total Revenues	975,389	1,220,074	888,232	244,685	(331,842)
<b>Expenditures:</b>					
Instruction	685,612	768,822	613,229	(83,210)	155,593
Support services	263,809	426,974	253,725	(163,165)	173,249
Non-instructional	3,000	3,000	0	0	3,000
Total Expenditures	952,421	1,198,796	866,954	(246,375)	331,842
Excess (Deficiency) of Revenues over (under) Expenditures	22,968	21,278	21,278	(1,690)	0
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(22,968)	(21,278)	(21,278)	1,690	0
Total Other Financing Sources (Uses)	(22,968)	(21,278)	(21,278)	1,690	0
Net Change in Fund Balances	0	0	0	0	0
<b>Fund Balances:</b>					
July 1, 2012	0	0	0	0	0
June 30, 2013	\$ 0	0	0	0	0

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

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PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

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SUPPLEMENTARY INFORMATION

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Supplementary Information

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 449,279
National school lunch program	10.555	1,592,896
Total child nutrition cluster		<u>2,042,175</u>
Total passed-through Mississippi Department of Education		<u>2,042,175</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,042,175</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	72,200
<b>Total U.S. Department of Defense</b>		<u>72,200</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	78,937
<b>Total Federal Communications Commission</b>		<u>78,937</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	45,193
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,106
English language acquisition grants	84.365	27,163
Improving teacher quality-State Grants	84.367	159,329
Subtotal		<u>232,791</u>
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	1,005,626
Total Title I Part A cluster		<u>1,005,626</u>
Special education cluster:		
Special education - grants to states	84.027	892,732
Special education - preschool grants	84.173	37,770
Total special education cluster		<u>930,502</u>
Total passed-through Mississippi Department of Education		<u>2,168,919</u>
<b>Total U.S. Department of Education</b>		<u>2,168,919</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	7,366
Total Medicaid cluster		<u>7,366</u>
Total passed-through Mississippi Department of Education		<u>7,366</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>7,366</u>
Total for All Federal Awards		<u>\$ 4,369,597</u>

**NOTES TO SCHEDULE**

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

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Pearl Public School District  
Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Expenditures			
		General Administration	School Administration	Other	
Salaries and fringe benefits	\$ 23,417,215	1,190,700	1,781,742	2,888,405	
Other	10,184,756	388,032	41,324	7,543,248	
<b>Total</b>	<b>\$ 33,601,971</b>	<b>1,578,732</b>	<b>1,823,066</b>	<b>10,431,653</b>	
Total number of students *	3,917				
Cost per student	\$ 8,578	403	465	2,663	

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

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

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

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

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

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

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OTHER INFORMATION

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**Pearl Public School District**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 11,032,124	10,747,741	10,753,749	10,509,029
State sources	15,036,409	14,888,491	13,786,534	14,553,497
Federal sources	102,056	137,212	108,429	92,156
<b>Total Revenues</b>	<b>26,170,589</b>	<b>25,773,444</b>	<b>24,648,712</b>	<b>25,154,682</b>
<b>Expenditures:</b>				
Instruction	15,676,525	15,323,865	13,380,829	14,488,991
Support services	9,845,838	9,272,449	8,441,519	9,524,585
Noninstructional services	235,416	272,629	271,513	259,790
Debt service:				
Principal	435,739	419,768	404,382	774,014
Interest	32,327	48,298	63,684	88,551
<b>Total Expenditures</b>	<b>26,225,845</b>	<b>25,337,009</b>	<b>22,561,927</b>	<b>25,135,931</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(55,256)</b>	<b>436,435</b>	<b>2,086,785</b>	<b>18,751</b>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	1,796,088			
Sale of transportation equipment	2,001	4,719	1,125	600
Sale of other property	513			
Refund of prior year expenditures				3,403
Operating transfers in	504,157	323,030	270,894	250,000
Other financing sources			2,052	
Operating transfers out	(179,173)	(382,768)	(2,835,027)	(403,671)
<b>Total Other Financing Sources (Uses)</b>	<b>2,123,586</b>	<b>(55,019)</b>	<b>(2,560,956)</b>	<b>(149,668)</b>
<b>Net Change in Fund Balances</b>	<b>2,068,330</b>	<b>381,416</b>	<b>(474,171)</b>	<b>(130,917)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	8,427,635	8,046,219	8,519,945	8,560,139
Prior period adjustments			445	90,723
Beginning of period, as restated	8,427,635	8,046,219	8,520,390	8,650,862
<b>End of Period</b>	<b>\$ 10,495,965</b>	<b>8,427,635</b>	<b>8,046,219</b>	<b>8,519,945</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 13,082,379	12,774,296	12,756,891	12,686,827
State sources	15,814,637	15,624,978	14,321,376	15,078,657
Federal sources	3,936,085	4,347,372	5,835,713	5,383,220
Sixteenth section sources	281,971	314,573	278,885	303,098
<b>Total Revenues</b>	<b>33,115,072</b>	<b>33,061,219</b>	<b>33,192,865</b>	<b>33,451,802</b>
<b>Expenditures:</b>				
Instruction	17,679,560	17,443,219	17,293,936	18,006,452
Support services	10,636,774	10,315,248	9,386,508	10,795,641
Noninstructional services	2,316,704	2,394,077	2,214,099	1,995,996
Sixteenth section	33,036	119,135		815
Facilities acquisition and construction	692,051	1,792,084	116,750	544,739
Debt service:				
Principal	1,945,739	1,839,768	1,729,382	1,919,014
Interest	293,857	354,409	413,607	555,997
Other	4,250	8,204	67,284	68,657
<b>Total Expenditures</b>	<b>33,601,971</b>	<b>34,266,144</b>	<b>31,221,566</b>	<b>33,887,311</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(486,899)	(1,204,925)	1,971,299	(435,509)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	1,796,088			
Refunding bonds issued			7,210,000	4,140,000
Premium on refunding bonds issued				16,155
Sale of transportation equipment	2,001	4,719	1,125	600
Sale of other property	513			
Refund of prior year expenditures				3,403
Operating transfers in	683,330	705,798	3,105,921	676,964
Other financing sources			2,052	
Operating transfers out	(683,330)	(705,798)	(3,105,921)	(676,964)
Discount on refunding bonds issued			(25,137)	
Payment to refunded bond escrow agent			(7,117,753)	(4,091,648)
<b>Total Other Financing Sources (Uses)</b>	<b>1,798,602</b>	<b>4,719</b>	<b>70,287</b>	<b>68,510</b>
<b>Net Change in Fund Balances</b>	<b>1,311,703</b>	<b>(1,200,206)</b>	<b>2,041,586</b>	<b>(366,999)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	11,312,306	12,511,559	10,448,281	10,732,158
Prior period adjustments			445	89,711
Beginning of period, as restated	11,312,306	12,511,559	10,448,726	10,821,869
Increase (Decrease) in reserve for inventory	(15,260)	953	21,247	(6,589)
<b>End of Period</b>	<b>\$ 12,608,749</b>	<b>11,312,306</b>	<b>12,511,559</b>	<b>10,448,281</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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Member MSCPA

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

To the School Board  
Pearl Public School District

**Internal Control Over Financial Reporting**

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl Public School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pearl Public School District's basic financial statements, and have issued our report thereon dated March 7, 2014.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

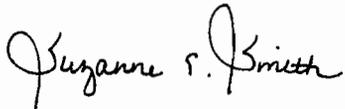
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pearl Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Suzanne E. Smith, CPA  
Meridian, MS

March 7, 2014

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Member MSCPA

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the School Board  
Pearl Public School District

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Pearl Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pearl Public School District's compliance with those requirements and performing other such procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Pearl Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

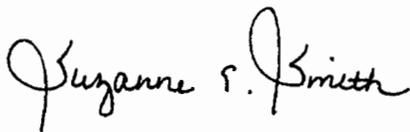
## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Suzanne E. Smith, CPA  
Meridian, MS

March 7, 2014

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

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

Superintendent and School Board  
Pearl Public School District School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District School District as of and for the year ended June 30, 2013, which collectively comprise Pearl Public School District School District's basic financial statements and have issued our report thereon dated March 7, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large, looped 'S' at the beginning.

Suzanne E. Smith, CPA  
Meridian, Mississippi

March 7, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Section I: Summary of Auditor's Results

#### Financial Statements:

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

#### Federal Awards:

- |  |   |
|--|---|
| 4. Internal control over major programs:   |   |
| a. Material weakness(es) identified? (Yes/No)  | No  |
| b. Significant deficiency(ies) identified? (Yes/None reported)   | None reported                             |
| 5. Type of auditor's report issued on compliance for major programs:   | Unqualified                               |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No  |
| 7. Identification of major programs:   |   |
| <u>CFDA Numbers</u>  | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555  | Child Nutrition Cluster                   |
| 8. Dollar threshold used to distinguish between type A and type B programs:  | \$300,000                                 |
| 9. Auditee qualified as low-risk auditee? (yes/no)   | Yes                                       |

### Section II: Financial Statement Findings

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

### Section III: Federal Award Findings and Questioned Costs

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

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