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PEARL PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015



PEARL PUBLIC SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Pearl Public 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 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pearl Public 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, as of June 30, 2015, 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.

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BRANDON, MISSISSIPPI 39043
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions on pages 7-14, 51-57, 59 and 61, respectively, 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

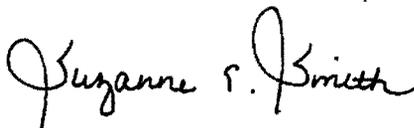
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 accompanying supplementary information mentioned above 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 December 4, 2015, on our consideration of the Pearl Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearl Public School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
December 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 2015 decreased \$33,480,575, including a prior period adjustment of (\$36,383,272), which represents a 100.01% decrease from fiscal year 2014. Total net position for 2014 increased \$812,502, including a prior period adjustment of (\$73,090), which represents a 2.4% increase from fiscal year 2013.
- General revenues amounted to \$29,710,174 and \$28,073,212, or 78% and 78% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,199,389, or 22% of total revenues for 2015, and \$7,838,558, or 22% of total revenues for 2014.
- The District had \$35,006,866 and \$35,026,178 in expenses for fiscal years 2015 and 2014; only \$8,199,389 for 2015 and \$7,838,558 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$29,710,174 for 2015 and \$28,073,212 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$30,083,447 in revenues and \$29,338,251 in expenditures for 2015, and \$27,729,696 in revenues and \$29,707,539 in expenditures in 2014. The General Fund's fund balance increased by \$1,755,343, including a reclassification of fund type of \$61,843, from 2014 to 2015, and decreased by \$473,937 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$858,096 for 2015 and decreased by \$487,562 for 2014. The decrease for 2015 was primarily due to the increase in accumulated depreciation of \$1,224,940.
- Long-term debt, including the liability for compensated absences, decreased by \$1,628,020 for 2015 and decreased by \$2,008,627 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,635 for 2015 and increased by \$13,691 for 2014.

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

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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, pension expense 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

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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.

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. This report presents a schedule of the district's proportionate share of the net pension liability and a schedule of district contribution 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,163 as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of a

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 13,638,568	\$ 12,390,967	10.07 %
Restricted assets	320,931	320,932	0.00 %
Capital assets, net	28,119,712	28,977,808	-2.96 %
Total assets	42,079,211	41,689,707	0.93 %
Deferred outflows of resources	4,428,889	240,494	1,741.58 %
Current liabilities	238,493	842,501	-71.69 %
Long-term debt outstanding	5,969,481	7,602,208	-21.48 %
Net pension liability	35,200,690	-	N/A %
Total liabilities	41,408,664	8,444,709	390.35 %
Deferred inflows of resources	5,102,599	8,080	63,050.98 %
Net position:			
Net investment in capital assets	22,605,642	21,880,567	3.31 %
Restricted	2,180,242	1,617,749	34.77 %
Unrestricted	(24,789,047)	9,979,096	-348.41 %
Total net position	\$ (3,163)	\$ 33,477,412	-100.01 %

Additional information on unrestricted net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (24,789,047)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	36,055,623
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 11,266,576</u>

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

- Decrease in net capital assets in the amount of \$858,096.
- The principal retirement of \$1,629,655 of long-term debt.
- The recognition of a net pension liability of \$35,200,690 in accordance with new standards (GASB Statement No. 68).

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$37,909,563 and \$35,911,770, respectively. The total cost of all programs and services was \$35,006,866 for 2015 and \$35,026,178 for 2014. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,458,324	\$ 3,157,204	9.54 %
Operating grants and contributions	4,741,065	4,681,354	1.28 %
General revenues:			
Property taxes	12,011,069	11,572,585	3.79 %
Grants and contributions not restricted	17,202,848	16,059,879	7.12 %
Investment earnings	33,448	21,769	53.65 %
Sixteenth section sources	280,776	283,775	(1.06) %
Other	182,033	135,204	34.64 %
Total revenues	<u>37,909,563</u>	<u>35,911,770</u>	5.56 %
Expenses:			
Instruction	17,501,172	18,457,375	(5.18) %
Support services	11,478,779	12,996,464	(11.68) %
Non-instructional	3,114,306	3,229,107	(3.56) %
Sixteenth section	36,696	66,983	(45.22) %
Pension expense	2,645,088	-	N/A
Interest on long-term liabilities	230,825	276,249	(16.44) %
Total expenses	<u>35,006,866</u>	<u>35,026,178</u>	(0.06) %
Increase (Decrease) in net position	<u>2,902,697</u>	<u>885,592</u>	227.77 %
Net Position, July 1, as previously reported	<u>33,477,412</u>	<u>32,664,910</u>	2.49 %
Prior Period Adjustment	<u>(36,383,272)</u>	<u>(73,090)</u>	(49,678.73) %
Net Position, July 1, as restated	<u>(2,905,860)</u>	<u>32,591,820</u>	(108.92) %
Net Position, June 30	<u>\$ (3,163)</u>	<u>\$ 33,477,412</u>	(100.01) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, 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, 2015

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 17,501,172	\$ 18,457,375	(5.18) %
Support services	11,478,779	12,996,464	(11.68) %
Non-instructional	3,114,306	3,229,107	(3.56) %
Sixteenth section	36,696	66,983	(45.22) %
Pension Expense	2,645,088	-	N/A %
Interest on long-term liabilities	230,825	276,249	(16.44) %
Total expenses	\$ 35,006,866	\$ 35,026,178	(0.06) %
	<u>Net (Expense) Revenue</u>		
	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Instruction	\$ (13,657,451)	\$ (15,137,790)	(9.78) %
Support services	(9,335,605)	(10,701,886)	(12.77) %
Non-instructional	(901,812)	(1,004,712)	(10.24) %
Sixteenth section	(36,696)	(66,983)	(45.22) %
Pension Expense	(2,645,088)	-	N/A %
Interest on long-term liabilities	(230,825)	(276,249)	(16.44) %
Total net (expense) revenue	\$ (26,807,477)	\$ (27,187,620)	(1.40) %

- Net cost of governmental activities [(\$26,807,477) for 2015 and (\$27,187,620) for 2014] was financed by general revenue, which is primarily made up of property taxes (\$12,011,069 for 2015 and \$11,572,585 for 2014) and state and federal revenues (\$17,202,848 for 2015 and \$16,059,879 for 2014). In addition, there was \$280,776 and \$283,775 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$33,448 for 2015 and \$21,769 for 2014.

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 \$13,774,672, an increase

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

of \$1,841,167, which includes an increase in inventory of \$2,430. \$8,378,713 or 61% 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 \$5,395,959 or 39% 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.

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 \$1,755,343, which includes a reclassification of fund type of \$61,843. The fund balance of Other Governmental Funds showed a decrease in the amount of \$13,878 which includes a reclassification of fund type of (\$61,843). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ 99,702
Title I Low 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, 2015, the District's total capital assets were \$47,860,889, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$314,779 from 2014. Total accumulated depreciation as of June 30, 2015, was \$19,741,177, and total depreciation expense for the year was \$1,224,940, resulting in total net capital assets of \$28,119,712.

PEARL PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	
Land	\$ 134,110	\$ 134,110	0.00 %
Construction in progress	9,420	-	N/A %
Buildings	25,341,659	24,910,974	1.73 %
Building improvements	464,782	43,240	974.89 %
Improvements other than buildings	433,140	421,686	2.72 %
Mobile equipment	919,826	982,199	(6.35) %
Furniture and equipment	816,775	945,850	(13.65) %
Leased property under capital lease	-	1,539,749	(100.00) %
Total	\$ 28,119,712	\$ 28,977,808	(2.96) %

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

Debt Administration. At June 30, 2015, the District had \$5,974,188 in outstanding long-term debt, of which \$1,505,000 is due within one year. The liability for compensated absences increased \$1,635 from the prior year. Principal payments of \$1,629,655 were made during the year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 5,700,000	\$ 7,155,000	(20.34) %
Obligations under capital lease	-	174,655	(100.00) %
Compensated absences payable	274,188	272,553	0.60 %
Total	\$ 5,974,188	\$ 7,602,208	(21.42) %

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

CURRENT ISSUES

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

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, 3375 Highway 80 East, Pearl MS 39208.

FINANCIAL STATEMENTS

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PEARL PUBLIC SCHOOL DISTRICT

**Statement of Net Position
June 30, 2015**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,817,588
Investments	1,021,048
Due from other governments	763,463
Inventories	36,469
Restricted assets	320,931
Capital assets, net of accumulated depreciation	28,119,712
Total Assets	42,079,211
Deferred Outflows of Resources	
Pensions	4,247,666
Deferred Amounts on Issuance of Refunding Debt	181,223
	4,428,889
Liabilities	
Accounts payable and accrued liabilities	184,827
Interest payable on long-term liabilities	53,666
Long-term liabilities, due within one year:	
Capital related liabilities	1,505,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,195,000
Non-capital related liabilities	274,188
Unamortized bond premium	6,465
Unamortized bond discount	(11,172)
Net Pension Liability	35,200,690
Total Liabilities	41,408,664
Deferred Inflows of Resources	
Pensions	5,102,599
	5,102,599
Net Position	
Net investment in capital assets	22,605,642
Restricted for:	
Expendable:	
School-based activities	1,570,815
Debt service	205,526
Forestry improvements	43,670
Unemployment benefits	39,300
Non-expendable:	
Sixteenth section	320,931
Unrestricted	(24,789,047)
Total Net Position	\$ (3,163)

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

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PEARL PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 17,501,172	1,817,197	2,026,524		(13,657,451)
Support services	11,478,779	1,212,428	930,746		(9,335,605)
Non-instructional	3,114,306	428,699	1,783,795		(901,812)
Sixteenth section	36,696				(36,696)
Pension expense	2,645,088				(2,645,088)
Interest on long-term liabilities	230,825				(230,825)
Total Governmental Activities	\$ 35,006,866	3,458,324	4,741,065	0	(26,807,477)
General Revenues:					
Taxes:					
					10,344,086
					1,666,983
Unrestricted grants and contributions:					
					17,109,333
					93,515
					33,448
					280,776
					182,033
					<u>29,710,174</u>
					<u>2,902,697</u>
					33,477,412
					<u>(36,383,272)</u>
					<u>(2,905,860)</u>
					<u>\$ (3,163)</u>

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

Exhibit C

June 30, 2015

	Major Funds					
	General Fund	Child Nutrition Fund	Title I Low Fund	IDEA Part B Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 10,140,642	1,055,192			942,685	12,138,519
Investments	1,021,048					1,021,048
Due from other governments	388,553		139,373	121,235	114,302	763,463
Due from other funds	403,757					403,757
Inventories		36,469				36,469
Total assets	11,954,000	1,091,661	139,373	121,235	1,056,987	14,363,256
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	176,629	432		842	6,924	184,827
Due to other funds		74,707	139,373	120,393	69,284	403,757
Total Liabilities	176,629	75,139	139,373	121,235	76,208	588,584
Fund Balances:						
Nonspendable:						
Inventory		36,469				36,469
Permanent fund principal					320,931	320,931
Restricted:						
Debt service					259,192	259,192
Forestry improvement purposes					43,670	43,670
Grant activities		980,053			49,338	1,029,391
Unemployment benefits					39,300	39,300
Committed:						
Capital improvements	3,162,051					3,162,051
Assigned:						
Student Activities	236,607					236,607
Capital improvements					176,453	176,453
Unemployment benefits					91,895	91,895
Unassigned	8,378,713					8,378,713
Total Fund Balances	11,777,371	1,016,522	0	0	980,779	13,774,672
Total Liabilities, deferred inflows of	\$ 11,954,000	1,091,661	139,373	121,235	1,056,987	14,363,256

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
June 30, 2015**

Exhibit C-1

Total fund balances for governmental funds \$ 13,774,672

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	
Construction-in-progress	9,420	
Buildings	40,191,397	
Building improvements	719,109	
Improvements other than buildings	1,218,956	
Mobile equipment	3,051,608	
Furniture and equipment	2,536,289	
Accumulated depreciation	<u>(19,741,177)</u>	28,119,712

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (35,200,690)

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions	4,247,666	
Deferred inflows of resources related to pensions	<u>(5,102,599)</u>	(36,055,623)

3. 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 refunding bonds payable	(5,700,000)	
Unamortized deferred charges	181,223	
Unamortized premiums	(6,465)	
Unamortized discounts	11,172	
Compensated absences	(274,188)	
Accrued interest payable	<u>(53,666)</u>	(5,841,924)

Net Position of governmental activities \$ (3,163)

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

Exhibit D

For the Year Ended June 30, 2015

	Major Funds					Total Governmental Funds
	General Fund	Child Nutrition Fund	Title I Low Fund	IDEA Part B Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 12,372,104	432,412			1,667,186	14,471,702
State sources	17,337,052	21,190			668,492	18,026,734
Federal sources	93,515	1,690,417	872,733	897,234	363,192	3,917,091
Sixteenth section sources	280,776				830	281,606
Total Revenues	30,083,447	2,144,019	872,733	897,234	2,699,700	36,697,133
Expenditures:						
Instruction	17,502,821		512,272	601,694	926,799	19,543,586
Support services	11,379,297	128,203	142,456	273,930	284,723	12,208,609
Noninstructional services	243,264	1,869,164	197,149		1,706	2,311,283
Sixteenth section	36,696					36,696
Facilities Acquisition					143,114	143,114
Debt service:						
Principal	174,655				1,455,000	1,629,655
Interest	1,518				193,263	194,781
Other					3,100	3,100
Total Expenditures	29,338,251	1,997,367	851,877	875,624	3,007,705	36,070,824
Excess (Deficiency) of Revenues over (under) Expenditures	745,196	146,652	20,856	21,610	(308,005)	626,309
Other Financing Sources (Uses):						
Insurance loss recovery	1,212,428					1,212,428
Operating transfers in	96,209				360,333	456,542
Operating transfers out	(360,333)	(49,380)	(20,856)	(21,610)	(4,363)	(456,542)
Total Other Financing Sources (Uses)	948,304	(49,380)	(20,856)	(21,610)	355,970	1,212,428
Net Change in Fund Balances	1,693,500	97,272	0	0	47,965	1,838,737
Fund Balances:						
July 1, 2014, as previously reported	10,022,028	916,820	0	0	994,657	11,933,505
Reclassify fund type	61,843				(61,843)	0
July 1, 2014, as restated	10,083,871	916,820	0	0	932,814	11,933,505
Increase (Decrease) in reserve for inventory		2,430				2,430
June 30, 2015	\$ 11,777,371	1,016,522	0	0	980,779	13,774,672

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, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 1,838,737

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	\$ 368,426	
Loss on disposal of assets	(1,581)	
Depreciation expense	<u>(1,224,940)</u>	(858,095)

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

Payments of debt principal	1,629,655	
Accrued interest payable	10,440	
Amortization of deferred charges, premiums and discounts	<u>(46,484)</u>	1,593,611

3. Some items relating to pensions and 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 the governmental funds. These activities include:

Pension expense - current year	(2,645,088)	
Deferred outflows - pensions	<u>2,972,737</u>	327,649

3. 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	(1,635)	
Change in inventory reserve	<u>2,430</u>	795

Change in Net Position of governmental activities \$ 2,902,697

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
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,734,528
Total Assets	<u>\$ 1,734,528</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,678,913
Due to student clubs	52,586
Other payables	3,029
Total Liabilities	<u>\$ 1,734,528</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, 2015

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 a 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

PEARL PUBLIC SCHOOL DISTRICT

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

are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

Child Nutrition Fund – This special revenue fund is used to account for the financial resources associated with the federal grants in the Child Nutrition Cluster, which provides nutritious breakfasts and lunches to the district's students.

Title I Low Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the Title I grants to local educational agencies.

IDEA Part B Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the federal special education grant, which is a part of the cluster of Special Education grants.

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 school district also reports fiduciary funds which focus on net position.

The District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

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.

PEARL PUBLIC SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

PEARL PUBLIC SCHOOL DISTRICT

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

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-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 16th 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, 2015

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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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. Deferred outflows/inflows of resources

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

- Deferred outflows – Pension Contributions
- Deferred outflows – Deferred Amounts on Issuance of Refunding Debt

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

- Deferred inflows – Pension Settlements to Plan Members

See Note 7 for further details.

PEARL PUBLIC SCHOOL DISTRICT

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

8. 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.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. 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. This formal action is a resolution approved by the School Board.

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

PEARL PUBLIC SCHOOL DISTRICT

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

created by the Superintendent and the Business Manager of the district pursuant to authorization established by the school district's approved fund balance 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.

It is the goal of the district to achieve and maintain an unassigned fund balance in the general fund at fiscal yearend of not less than 7% of total revenues for the general fund for the year just ended. If the unassigned fund balance at fiscal yearend falls below this 7% amount, the district will develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,138,519 and \$1,734,528, 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

PEARL PUBLIC SCHOOL DISTRICT

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

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, 2015, none of the district's bank balance of \$15,013,915 was exposed to custodial credit risk.

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Municipal Money Market Funds	N/A	Less than 1 year	\$ 39,646
Government Agency Bonds	AA+	Less than 3 years	100,091
		Less than 4 years	50,083
		Less than 5 years	99,423
Corporate Bonds	A-/A+	Less than 3 years	159,785
Municipal Bonds	AA	Less than 2 years	51,251
		Less than 5 years	39,744
Collateralized Mortgage Investments	AA+	Less than 10 years	319,091
Mortgage Backed Securities	AA+	Less than 9 years	77,666
		Less than 13 years	84,268
Total			\$ 1,021,048

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Corporate bonds - Goldman Sachs Group	\$ 109,476	11%
Corporate bonds - General Elec Cap Corp	50,309	5%
Taxable municipal bonds - State of Mississippi	90,995	9%

PEARL PUBLIC SCHOOL DISTRICT

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

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	Child Nutrition Fund	\$ 74,707
	Title I Low Fund	139,373
	IDEA Part B Fund	120,393
	Other governmental funds	69,284
Total		<u>\$ 403,757</u>

The amounts primarily represent interfund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 360,333
Child Nutrition Fund	General Fund	49,380
Title I Low Fund	General Fund	20,856
IDEA Part B Fund	General Fund	21,610
Other governmental funds	General Fund	4,363
Total		<u>\$ 456,542</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$320,931, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district' programs. These assets are shown as cash and cash equivalents on the governmental funds balance sheet.

PEARL PUBLIC SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 134,110	-			134,110
Construction -in-progress	-	9,420			9,420
Total non-depreciable capital assets	134,110	9,420	-	-	143,530
<u>Depreciable capital assets:</u>					
Buildings	38,760,746	133,694		1,296,957	40,191,397
Building Improvements	56,895			662,214	719,109
Improvements other than buildings	1,167,617	51,339			1,218,956
Mobile equipment	2,962,824	88,784			3,051,608
Furniture and equipment	2,504,747	85,189	53,647		2,536,289
Leased property under capital lease	1,959,171			(1,959,171)	-
Total depreciable capital assets	47,412,000	359,006	53,647	-	47,717,359
<u>Less accumulated depreciation for:</u>					
Buildings	13,849,772	766,513		233,453	14,849,738
Building Improvements	13,655	2,275		238,397	254,327
Improvements other than buildings	745,931	39,884		1	785,816
Mobile equipment	1,980,625	151,157		-	2,131,782
Furniture and equipment	1,558,897	212,683	52,066		1,719,514
Leased property under capital lease	419,422	52,428		(471,850)	-
Total accumulated depreciation	18,568,302	1,224,940	52,066	1	19,741,177
Total depreciable capital assets, net	28,843,698	(865,934)	1,581	(1)	27,976,182
net	\$ 28,977,808	(856,514)	1,581	(1)	28,119,712

Adjustments represent assets moved between classifications as the result of the fulfillment of the terms of a capital lease for buildings and building improvements. The capital lease was paid in full during the year, and the title to the assets was transferred to the school district in accordance with the terms of the lease agreement.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 20,445
Support services	258,109
Non-instructional	946,386
Total depreciation expense - Governmental activities	\$ 1,224,940

Construction-in-progress is composed of the following:

PEARL PUBLIC SCHOOL DISTRICT

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

	<u>Spent to June 30, 2015</u>	<u>Remaining Commitment</u>
Governmental activities:		
Artificial turf - Multipurpose building - Pearl High School	<u>\$ 9,420</u>	<u>\$ 21,980</u>

The construction project included in governmental activities is funded with general fund committed fund balance.

Note 6 – Long-term Liabilities

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

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2015</u>	<u>Amounts due within one year</u>
A. General obligation refunding bonds payable	\$ 7,155,000		1,455,000	5,700,000	\$ 1,505,000
B. Obligations under capital lease	174,655		174,655	-	
C. Compensated absences payable	272,553	1,635		274,188	
Subtotal	<u>\$ 7,602,208</u>	<u>1,635</u>	<u>1,629,655</u>	<u>5,974,188</u>	<u>\$ 1,505,000</u>
Add: Deferred amounts for premiums	8,080		1,615	6,465	
Less: Deferred amounts for discounts	(13,965)		(2,793)	(11,172)	
Total	<u>\$ 7,596,323</u>	<u>1,635</u>	<u>1,628,477</u>	<u>5,969,481</u>	

A. General obligation refunding bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Refunding series 2010A	2.00-3.25%	9-Jan-10	1-Mar-18	\$ 4,140,000	\$ 1,515,000
2. Refunding series 2010B	2.00-3.00%	16-Dec-10	2-Mar-19	7,210,000	4,185,000
Total				<u>\$ 11,350,000</u>	<u>5,700,000</u>

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

1. General obligation refunding bond issue of January 9, 2010.

PEARL PUBLIC SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 485,000	46,713	531,713
2017	505,000	32,163	537,163
2018	525,000	15,750	540,750
Total	\$ 1,515,000	94,626	1,609,626

This debt will be retired from Bond Retirement Fund.

2. General obligation refunding bond issue of December 16, 2010.

Year Ending June 30	Principal	Interest	Total
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
Total	\$ 4,185,000	297,550	4,482,550

This debt will be retired from Bond Retirement Fund.

Total general obligation refunding bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
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
Total	\$ 5,700,000	392,176	6,092,176

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2014.

PEARL PUBLIC SCHOOL DISTRICT

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

B. Obligations under capital leases

This capital lease was paid in full during the year ended June 30, 2015.

C. Compensated absences payable

As more fully explained in Note 1(E)(8), 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

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. 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, 2015 was 15.75% 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, 2015, 2014 and 2013 were \$2,972,737, \$2,786,908, and \$2,463,872, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$35,200,690 for its proportionate share of the net pension liability.

PEARL PUBLIC SCHOOL DISTRICT

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.29 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,645,088. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 549,120	\$
Net difference between projected and actual earnings on pension plan investments		5,102,599
Changes in proportion and differences between District contributions and proportionate share of Contributions	725,809	
District contributions subsequent to the measurement date	2,972,737	
Total	\$ <u>4,247,666</u>	\$ <u>5,102,599</u>

\$2,972,737 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (817,042)
2017	(817,042)
2018	(917,936)
2019	(1,275,650)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

PEARL PUBLIC SCHOOL DISTRICT

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

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. *Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 47,989,038	\$ 35,200,690	\$ 24,533,307

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

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, 2015

<u>Year Ending</u> <u>June 30</u>		<u>Amount</u>
2016	\$	276,313
2017		276,313
2018		276,313
2019		276,313
2020		276,313
2021 – 2025		1,178,096
2026 – 2030		1,312,664
2031 – 2035		1,133,240
Thereafter		1,952,232
Total	\$	<u>6,957,797</u>

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>		<u>Amount</u>
1. Implementation of GASB 68 and 71:		
Net pension liability (measurement date)	\$	(39,170,180)
Deferred outflows - contributions made during fiscal year 2014		<u>2,786,908</u>
Total prior period adjustment related to GASB 68 and 71		<u>(36,383,272)</u>
Total	\$	<u>(36,383,272)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Reclassification of fund type	\$ 61,843
Other governmental funds	Reclassification of fund type	<u>(61,843)</u>
Total		<u>\$ -</u>

Note 10 – Contingencies

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

PEARL PUBLIC SCHOOL DISTRICT

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 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 12 – Insurance loss recoveries

The Pearl Public School District received \$1,212,428 in insurance loss recoveries related to hail and wind damage during the previous fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 1,212,428	100%	Support services

Note 13 - 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 December 4, 2015, and determined that no events have 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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 11,470,723	12,372,102	12,372,104	901,379	2
State sources	17,215,309	17,337,052	17,337,052	121,743	0
Federal sources	68,556	93,515	93,515	24,959	0
Sixteenth section sources	0	280,776	280,776	280,776	0
Total Revenues	28,754,588	30,083,445	30,083,447	1,328,857	2
Expenditures:					
Instruction	18,181,856	17,502,821	17,502,821	679,035	0
Support services	12,236,952	11,379,297	11,379,297	857,655	0
Noninstructional services	357,706	243,264	243,264	114,442	0
Sixteenth section	0	36,696	36,696	(36,696)	0
Debt service:					
Principal	174,655	174,655	174,655	0	0
Interest	1,520	1,518	1,518	2	0
Total Expenditures	30,952,689	29,338,251	29,338,251	1,614,438	0
Excess (Deficiency) of Revenues over (under) Expenditures	(2,198,101)	745,194	745,196	2,943,295	2
Other Financing Sources (Uses):					
Insurance loss recovery	0	1,212,428	1,212,428	1,212,428	0
Operating transfers in	4,005,689	6,068,570	96,209	2,062,881	(5,972,361)
Operating transfers out	(3,895,295)	(6,332,693)	(360,333)	(2,437,398)	5,972,360
Total Other Financing Sources (Uses)	110,394	948,305	948,304	837,911	(1)
Net Change in Fund Balances	(2,087,707)	1,693,499	1,693,500	3,781,206	1
Fund Balances:					
July 1, 2014, as previously reported	9,168,352	9,169,431	10,022,028	1,079	852,597
Reclassify fund type	0	0	61,843	0	61,843
July 1, 2014, as restated	9,168,352	9,169,431	10,083,871	1,079	914,440
June 30, 2015	\$ 7,080,645	10,862,930	11,777,371	3,782,285	914,441

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

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PEARL PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Child Nutrition Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 706,634	432,414	432,412	(274,220)	(2)
State sources	26,500	21,190	21,190	(5,310)	0
Federal sources	1,575,000	1,690,417	1,690,417	115,417	0
Total Revenues	2,308,134	2,144,021	2,144,019	(164,113)	(2)
Expenditures:					
Support services	153,984	128,203	128,203	25,781	0
Noninstructional services	2,307,003	1,866,736	1,869,164	440,267	(2,428)
Total Expenditures	2,460,987	1,994,939	1,997,367	466,048	(2,428)
Excess (Deficiency) of Revenues over (under) Expenditures	(152,853)	149,082	146,652	301,935	(2,430)
Other Financing Sources (Uses):					
Operating transfers out	(60,471)	(49,380)	(49,380)	11,091	0
Total Other Financing Sources (Uses)	(60,471)	(49,380)	(49,380)	11,091	0
Net Change in Fund Balances	(213,324)	99,702	97,272	313,026	(2,430)
Fund Balances:					
July 1, 2014	752,999	752,999	916,820	0	163,821
Increase in reserve for inventory	0	0	2,430	0	2,430
June 30, 2015	\$ 539,675	852,701	1,016,522	313,026	163,821

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

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PEARL PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Low Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 863,168	991,598	872,733	128,430	(118,865)
Total Revenues	863,168	991,598	872,733	128,430	(118,865)
Expenditures:					
Instruction	503,945	576,455	512,272	(72,510)	64,183
Support services	135,631	165,074	142,456	(29,443)	22,618
Noninstructional services	205,642	224,512	197,149	(18,870)	27,363
Total Expenditures	845,218	966,041	851,877	(120,823)	114,164
Excess (Deficiency) of Revenues over (under) Expenditures	17,950	25,557	20,856	7,607	(4,701)
Other Financing Sources (Uses):					
Operating transfers out	(17,950)	(25,557)	(20,856)	(7,607)	4,701
Total Other Financing Sources (Uses)	(17,950)	(25,557)	(20,856)	(7,607)	4,701
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2014	0	0	0	0	0
June 30, 2015	\$ 0	0	0	0	0

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

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PEARL PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,106,487	1,208,921	897,234	102,434	(311,687)
Total Revenues	1,106,487	1,208,921	897,234	102,434	(311,687)
Expenditures:					
Instruction	681,925	788,747	601,694	(106,822)	187,053
Support services	403,986	395,205	273,930	8,781	121,275
Noninstructional services	3,000	3,000	0	0	3,000
Total Expenditures	1,088,911	1,186,952	875,624	(98,041)	311,328
Excess (Deficiency) of Revenues over (under) Expenditures	17,576	21,969	21,610	4,393	(359)
Other Financing Sources (Uses):					
Operating transfers out	(17,576)	(21,969)	(21,610)	(4,393)	359
Total Other Financing Sources (Uses)	(17,576)	(21,969)	(21,610)	(4,393)	359
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2014	0	0	0	0	0
June 30, 2015	\$ 0	0	0	0	0

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

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PEARL PUBLIC SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.29%
District's proportionate share of the net pension liability (asset)	\$ 35,200,690
District's covered-employee payroll	17,694,654
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.93%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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PEARL PUBLIC SCHOOL DISTRICT
 Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	2,972,737									
Contributions in relation to the contractually required contribution	\$ 2,972,737									
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0	0
District's covered-employee payroll	18,874,521									
Contributions as a percentage of covered-employee payroll	15.75%									

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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PEARL PUBLIC SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and 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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PEARL PUBLIC SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 449,084
National school lunch program	10.555	1,106,183
National school lunch program - donated commodities	10.555	135,150
Total child nutrition cluster		<u>1,690,417</u>
Total passed-through Mississippi Department of Education		<u>1,690,417</u>
Total U.S. Department of Agriculture		<u>1,690,417</u>
<u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	98,007
Total U.S. Department of Defense		<u>98,007</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	65,198
Total Federal Communications Commission		<u>65,198</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	872,733
Career and technical education - basic grants to states	84.048	32,254
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,540
English language acquisition grants	84.365	24,562
Improving teacher quality-State Grants	84.367	178,181
Subtotal		<u>1,109,270</u>
Special education cluster:		
Special education - grants to states	84.027	897,234
Special education - preschool grants	84.173	28,648
Total special education cluster		<u>925,882</u>
Total passed-through Mississippi Department of Education		<u>2,035,152</u>
Total U.S. Department of Education		<u>2,035,152</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	19,758
Total medicaid cluster		<u>19,758</u>
Total passed-through Mississippi Department of Education		<u>19,758</u>
Total U.S. Department of Health and Human Services		<u>19,758</u>
Total for All Federal Awards		<u>\$ 3,908,532</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, 2015

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 25,852,991	19,388,237	1,302,526	1,921,523	3,240,705
Other	10,217,833	2,304,730	401,325	31,908	7,479,870
Total	\$ 36,070,824	21,692,967	1,703,851	1,953,431	10,720,575
Total number of students *	4,060				
Cost per student	\$ 8,884	5,343	420	481	2,640

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

	2015	* 2014	* 2013	* 2012
Revenues:				
Local sources	\$ 12,372,104	11,487,610	11,032,124	10,747,741
State sources	17,337,052	16,169,719	15,036,409	14,888,491
Federal sources	93,515	72,367	102,056	137,212
Sixteenth section sources	280,776			
Total Revenues	30,083,447	27,729,696	26,170,589	25,773,444
Expenditures:				
Instruction	17,502,821	16,511,691	15,676,525	15,323,865
Support services	11,379,297	12,511,971	9,845,838	9,272,449
Noninstructional services	243,264	215,811	235,416	272,629
Sixteenth section	36,696			
Debt service:				
Principal	174,655	452,318	435,739	419,768
Interest	1,518	15,748	32,327	48,298
Total Expenditures	29,338,251	29,707,539	26,225,845	25,337,009
Excess (Deficiency) of Revenues over (under) Expenditures	745,196	(1,977,843)	(55,256)	436,435
Other Financing Sources (Uses):				
Insurance loss recovery	1,212,428	1,355,228	1,796,088	
Sale of transportation equipment		3,154	2,001	4,719
Sale of other property			513	
Operating transfers in	96,209	385,693	504,157	323,030
Operating transfers out	(360,333)	(240,169)	(179,173)	(382,768)
Total Other Financing Sources (Uses)	948,304	1,503,906	2,123,586	(55,019)
Net Change in Fund Balances	1,693,500	(473,937)	2,068,330	381,416
Fund Balances:				
Beginning of period, as previously reported	10,022,028	10,495,965	8,427,635	8,046,219
Reclassify fund type	61,843			
Beginning of period, as restated	10,083,871	10,495,965	8,427,635	8,046,219
End of Period	\$ 11,777,371	10,022,028	10,495,965	8,427,635

*SOURCE - PRIOR YEAR AUDIT REPORTS

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PEARL PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2015	* 2014	* 2013	* 2012
Revenues:				
Local sources	\$ 14,471,702	13,530,416	13,082,379	12,774,296
State sources	18,026,734	16,765,408	15,814,637	15,624,978
Federal sources	3,917,091	3,975,826	3,936,085	4,347,372
Sixteenth section sources	281,606	284,893	281,971	314,573
Total Revenues	36,697,133	34,556,543	33,115,072	33,061,219
Expenditures:				
Instruction	19,543,586	18,426,343	17,679,560	17,443,219
Support services	12,208,609	13,462,709	10,636,774	10,315,248
Noninstructional services	2,311,283	2,289,417	2,316,704	2,394,077
Sixteenth section	36,696	66,983	33,036	119,135
Facilities acquisition and construction services	143,114	75,300	692,051	1,792,084
Debt service:				
Principal	1,629,655	2,022,318	1,945,739	1,839,768
Interest	194,781	242,930	293,857	354,409
Other	3,100	3,625	4,250	8,204
Total Expenditures	36,070,824	36,589,625	33,601,971	34,266,144
Excess (Deficiency) of Revenues over (under) Expenditures	626,309	(2,033,082)	(486,899)	(1,204,925)
Other Financing Sources (Uses):				
Insurance loss recovery	1,212,428	1,355,228	1,796,088	
Sale of transportation equipment		3,154	2,001	4,719
Sale of other property			513	
Operating transfers in	456,542	625,862	683,330	705,798
Operating transfers out	(456,542)	(625,862)	(683,330)	(705,798)
Total Other Financing Sources (Uses)	1,212,428	1,358,382	1,798,602	4,719
Net Change in Fund Balances	1,838,737	(674,700)	1,311,703	(1,200,206)
Fund Balances:				
Beginning of period	11,933,505	12,608,749	11,312,306	12,511,559
Increase (Decrease) in reserve for inventory	2,430	(544)	(15,260)	953
End of Period	\$ 13,774,672	11,933,505	12,608,749	11,312,306

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**Independent Auditor's 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**

Superintendent and School Board
Pearl Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl Public School District as of and for the year ended June 30, 2015, 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 December 4, 2015.

Internal Control Over Financial Reporting

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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

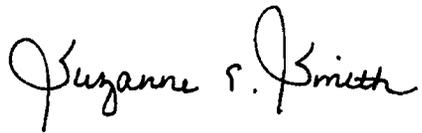
Compliance and Other Matters

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*.

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BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

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, PLLC
Brandon, Mississippi
December 4, 2015

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Superintendent and 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, 2015. 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 such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2015.

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

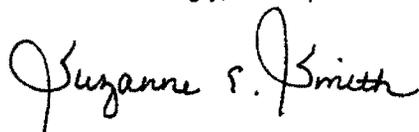
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and performing our audit of compliance, we considered Pearl Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing 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 effectiveness 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, PLLC
Brandon, Mississippi
December 4, 2015

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

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Pearl Public 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 as of and for the year ended June 30, 2015, which collectively comprise Pearl Public School District's basic financial statements and have issued our report thereon dated December 4, 2015. 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 noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
December 4, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**PEARL PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10..553; 10.555 | 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 |

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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