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PEARL RIVER COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015

PEARL RIVER COUNTY SCHOOL DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Pearl River County School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County 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 River County 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *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 the District contributions on pages 4-12, 46-47, 48 and 49, 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 River County 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 January 10, 2017, on our consideration of the Pearl River County 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 River County School District's internal control over financial reporting and compliance.

  
Whitfield and Company, P.C.  
Picayune, MS  
January 10, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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

The following discussion and analysis of Pearl River County 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 \$28,455,551, including prior period adjustments of (\$29,505,170) due primarily to the recording of the net pension liability, which represents a 158% decrease from fiscal year 2014. Total net position for 2014 decreased \$1,486,285, including a prior period adjustment of (\$69,678), which represents an 8% decrease from fiscal year 2013.
- General revenues amounted to \$20,161,058 and \$20,557,205, or 83% and 84% 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 \$4,158,411, or 17% of total revenues for 2015, and \$3,933,252, or 16% of total revenues for 2014.
- The District had \$23,269,850 and \$25,907,064 in expenses for fiscal years 2015 and 2014; only \$4,158,411 for 2015 and \$3,933,252 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,161,058 for 2015 were adequate to provide for these programs. General revenues of \$20,557,205 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,869,766 in revenues and \$20,269,124 in expenditures for 2015, and \$20,009,339 in revenues and \$21,488,840 in expenditures in 2014. The General Fund's fund balance decreased by \$305,261 from 2014 to 2015, including a fund reclassification of \$567,890 and a prior period adjustment of (\$11,313), and decreased by \$860,750 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$346,519 for 2015 and decreased by \$493,329 for 2014. The decrease for 2015 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, excluding bond premium, decreased by \$1,729,603 for 2015 and increased by \$96,718 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$49,344 for 2015 and decreased by \$6,530 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, deferred outflows, liabilities, and deferred inflows, with the difference reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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) and charges for services (business-type activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense and interest on long-term liabilities. The business-type activities of the District include early childhood development.

### **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 three categories: governmental funds, proprietary 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.

**Proprietary funds** – Proprietary funds of the District consist of an enterprise fund that is used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District used an enterprise fund to account for its Early Childhood Development Center.

**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.

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

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

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

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

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. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

**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 \$10,428,546 as of June 30, 2015.

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

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

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**

|                                  | <u>Governmental Activities</u> |                      |                          | <u>Business-type Activities</u> |                      | <u>Percentage<br/>Change</u> |
|----------------------------------|--------------------------------|----------------------|--------------------------|---------------------------------|----------------------|------------------------------|
|                                  | <u>June 30, 2015</u>           | <u>June 30, 2014</u> | <u>Percentage Change</u> | <u>June 30, 2015</u>            | <u>June 30, 2014</u> |                              |
| Current assets                   | \$ 6,535,236                   | \$ 8,700,839         | (24.89) %                | \$ 6,792                        | \$ -                 | N/A %                        |
| Restricted assets                | 519,090                        | 1,514,367            | (65.72) %                | -                               | -                    | N/A %                        |
| Capital assets, net              | 13,687,212                     | 14,033,731           | (2.47) %                 | -                               | -                    | N/A %                        |
| Total assets                     | <u>20,741,538</u>              | <u>24,248,937</u>    | (14.46) %                | <u>6,792</u>                    | <u>-</u>             | N/A %                        |
| Deferred outflows of resources   | <u>2,608,548</u>               | <u>62,153</u>        | 4,096.98 %               | <u>-</u>                        | <u>-</u>             | N/A %                        |
| Current liabilities              | 425,228                        | 1,618,973            | (73.73) %                | -                               | -                    | N/A %                        |
| Long-term debt outstanding       | 2,935,169                      | 4,665,112            | (37.08) %                | -                               | -                    | N/A %                        |
| Net pension liability            | <u>23,981,987</u>              | <u>-</u>             | N/A %                    | <u>-</u>                        | <u>-</u>             | N/A %                        |
| Total liabilities                | <u>27,342,384</u>              | <u>6,284,085</u>     | 335.11 %                 | <u>-</u>                        | <u>-</u>             | N/A %                        |
| Deferred inflows of resources    | <u>6,443,040</u>               | <u>-</u>             | N/A %                    | <u>-</u>                        | <u>-</u>             | N/A %                        |
| Net position:                    |                                |                      |                          |                                 |                      |                              |
| Net investment in capital assets | 11,764,194                     | 10,394,187           | 13.18 %                  | -                               | -                    | N/A %                        |
| Restricted                       | 1,465,683                      | 2,559,667            | (42.74) %                | 6,792                           | -                    | N/A %                        |
| Unrestricted                     | <u>(23,665,215)</u>            | <u>5,073,151</u>     | (566.48) %               | <u>-</u>                        | <u>-</u>             | N/A %                        |
| Total net position (deficit)     | <u>\$ (10,435,338)</u>         | <u>\$ 18,027,005</u> | (157.89) %               | <u>\$ 6,792</u>                 | <u>\$ -</u>          | N/A %                        |

Additional information on unrestricted net position:

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

|                                                                                                   |                     |
|---------------------------------------------------------------------------------------------------|---------------------|
| Total unrestricted net position (deficit)                                                         | \$ (23,665,215)     |
| Less unrestricted deficit in net position resulting from recognition of the net pension Liability | <u>27,865,818</u>   |
| Unrestricted net position, exclusive of the net pension liability effect                          | <u>\$ 4,200,603</u> |

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

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 \$346,519.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position. The net pension liability is recorded in the amount of \$23,981,987.
- The principal retirement of \$1,778,947 of long-term debt.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$24,319,469 and \$24,490,457, respectively. The total cost of all programs and services was \$23,269,850 for 2015 and \$25,907,064 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>Governmental Activities</u>      |                                     |                              | <u>Business-type Activities</u>     |                                     |                              |
|----------------------------------------------|-------------------------------------|-------------------------------------|------------------------------|-------------------------------------|-------------------------------------|------------------------------|
|                                              | <u>Year Ended<br/>June 30, 2015</u> | <u>Year Ended<br/>June 30, 2014</u> | <u>Percentage<br/>Change</u> | <u>Year Ended<br/>June 30, 2015</u> | <u>Year Ended<br/>June 30, 2014</u> | <u>Percentage<br/>Change</u> |
| Revenues:                                    |                                     |                                     |                              |                                     |                                     |                              |
| Program Revenues:                            |                                     |                                     |                              |                                     |                                     |                              |
| Charges for services                         | \$ 799,334                          | \$ 847,187                          | (5.65) %                     | \$ 43,295                           | \$ -                                | N/A %                        |
| Operating grants and contributions           | 3,315,782                           | 3,086,065                           | 7.44 %                       | -                                   | -                                   | N/A %                        |
| General revenues:                            |                                     |                                     |                              |                                     |                                     |                              |
| Property taxes                               | 5,595,983                           | 5,702,955                           | (1.88) %                     | -                                   | -                                   | N/A %                        |
| Grants and contributions not restricted      | 14,326,877                          | 14,397,572                          | (0.49) %                     | -                                   | -                                   | N/A %                        |
| Investment earnings                          | 12,118                              | 57,406                              | (78.89) %                    | -                                   | -                                   | N/A %                        |
| Sixteenth section sources                    | 59,360                              | 238,428                             | (75.10) %                    | -                                   | -                                   | N/A %                        |
| Other                                        | 166,720                             | 160,844                             | 3.65 %                       | -                                   | -                                   | N/A %                        |
| Total revenues                               | <u>24,276,174</u>                   | <u>24,490,457</u>                   | <u>(0.87) %</u>              | <u>43,295</u>                       | <u>-</u>                            | <u>N/A %</u>                 |
| Expenses:                                    |                                     |                                     |                              |                                     |                                     |                              |
| Instruction                                  | 12,196,628                          | 13,695,141                          | (10.94) %                    | -                                   | -                                   | N/A %                        |
| Support services                             | 8,955,438                           | 10,584,356                          | (15.39) %                    | -                                   | -                                   | N/A %                        |
| Non-instructional                            | 1,364,579                           | 1,445,771                           | (5.62) %                     | -                                   | -                                   | N/A %                        |
| Sixteenth section                            | 39,840                              | 39,812                              | 0.07 %                       | -                                   | -                                   | N/A %                        |
| Pension expense                              | 557,058                             | -                                   | N/A %                        | -                                   | -                                   | N/A %                        |
| Interest on long-term liabilities            | 119,804                             | 141,984                             | (15.62) %                    | -                                   | -                                   | N/A %                        |
| Early Childhood Development                  | -                                   | -                                   | N/A                          | 36,503                              | -                                   | N/A %                        |
| Total expenses                               | <u>23,233,347</u>                   | <u>25,907,064</u>                   | <u>(10.32) %</u>             | <u>36,503</u>                       | <u>-</u>                            | <u>N/A %</u>                 |
| Increase (Decrease) in net position          | <u>1,042,827</u>                    | <u>(1,416,607)</u>                  | <u>173.61 %</u>              | <u>6,792</u>                        | <u>-</u>                            | <u>N/A %</u>                 |
| Net Position, July 1, as previously reported | 18,027,005                          | 19,513,290                          | (7.62) %                     | -                                   | -                                   | N/A %                        |
| Prior Period Adjustment                      | (29,505,170)                        | (69,678)                            | (42,245.03) %                | -                                   | -                                   | N/A %                        |
| Net Position, July 1, as restated            | <u>(11,478,165)</u>                 | <u>19,443,612</u>                   | <u>(159.03) %</u>            | <u>-</u>                            | <u>-</u>                            | <u>N/A %</u>                 |
| Net Position (deficit), June 30              | <u>\$ (10,435,338)</u>              | <u>\$ 18,027,005</u>                | <u>(157.89) %</u>            | <u>\$ 6,792</u>                     | <u>\$ -</u>                         | <u>N/A %</u>                 |

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

**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.

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**

|                                   | Total Expenses         |                        | Percentage<br>Change |
|-----------------------------------|------------------------|------------------------|----------------------|
|                                   | 2015                   | 2014                   |                      |
| Instruction                       | \$ 12,196,628          | \$ 13,695,141          | (10.94) %            |
| Support services                  | 8,955,438              | 10,584,356             | (15.39) %            |
| Non-instructional                 | 1,364,579              | 1,445,771              | (5.62) %             |
| Sixteenth section                 | 39,840                 | 39,812                 | 0.07 %               |
| Pension Expense                   | 557,058                | -                      | N/A %                |
| Interest on long-term liabilities | 119,804                | 141,984                | (15.62) %            |
| Total expenses                    | <u>\$ 23,233,347</u>   | <u>\$ 25,907,064</u>   | (10.32) %            |
|                                   |                        |                        |                      |
|                                   | Net (Expense) Revenue  |                        | Percentage<br>Change |
|                                   | 2015                   | 2014                   |                      |
| Instruction                       | \$ (10,412,913)        | \$ (12,039,032)        | (13.51) %            |
| Support services                  | (7,969,189)            | (9,747,264)            | (18.24) %            |
| Non-instructional                 | (19,427)               | (35,681)               | (45.55) %            |
| Sixteenth section                 | (39,840)               | (9,851)                | 304.43 %             |
| Pension Expense                   | (557,058)              | -                      | N/A                  |
| Interest on long-term liabilities | (119,804)              | (141,984)              | (15.62) %            |
| Total net (expense) revenue       | <u>\$ (19,118,231)</u> | <u>\$ (21,973,812)</u> | (13.00) %            |

- Net cost of governmental activities (\$19,118,231 for 2015 and \$21,973,812 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$5,595,983 for 2015 and \$5,702,955 for 2014) and state and federal revenues (\$14,326,877 for 2015 and \$14,397,572 for 2014). In addition, there was \$59,360 and \$238,428 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$12,118 for 2015 and \$57,406 for 2014.

**Business-type activities**

The following table presents the cost of activities related to the operation of the Early Childhood Development Center. The table also shows the net cost of activities (total cost less charges for services generated by the activities). The net cost presents the financial burden that was placed on the District for the operation of the Early Childhood Development Center.

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

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

**Table 4**  
**Net Cost of Business-type Activities**

|                             | Total Expenses        |             | Percentage<br>Change |
|-----------------------------|-----------------------|-------------|----------------------|
|                             | 2015                  | 2014        |                      |
| Early Childhood Development | \$ 36,503             | \$ -        | N/A %                |
| Total expenses              | <u>\$ 36,503</u>      | <u>\$ -</u> | N/A %                |
|                             |                       |             |                      |
|                             | Net (Expense) Revenue |             | Percentage<br>Change |
|                             | 2015                  | 2014        |                      |
| Early Childhood Development | \$ 6,792              | \$ -        | N/A %                |
| Total net (expense) revenue | <u>\$ 6,792</u>       | <u>\$ -</u> | N/A %                |

- Net revenue of business-type activities (\$6,792 for 2015 and \$0 for 2014) was a result of charges for services, which includes tuition from individuals (\$43,295 for 2015 and \$0 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 \$6,653,345, a decrease of \$1,975,576, which includes a prior period adjustment of (\$11,313) and an increase in inventory of \$13,648. \$5,055,493, or 76%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,597,852, or 24%, 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 decrease in fund balance in the General Fund for the fiscal year was \$305,261, which includes a fund reclassification of \$567,890 and a prior period adjustment of (\$11,313). The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,682,201, which includes a fund reclassification of (\$567,890) and an increase in inventory of \$13,648. The increase (decrease) in the fund balances for the other major funds were as follows:

| <u>Major Fund</u>               | <u>Increase (Decrease)</u> |
|---------------------------------|----------------------------|
| Title I-A Basic fund            | no increase or decrease    |
| 1997 Bond Issue Retirement Fund | \$ 11,886                  |



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

**Proprietary funds.** The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

As the District completed the year, the proprietary fund reported a cash and cash equivalent balance of \$6,792, which is reported as restricted for Early Childhood Development on the Statement of Net Position for the proprietary fund. Expenses related to the operation of the Early Childhood Development Center totaled \$36,503 and were funded by tuition paid by individuals in the amount of \$43,295.

## 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. Budget revisions during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the 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 \$23,051,975, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$137,818 from 2014. Total accumulated depreciation as of June 30, 2015, was \$9,364,763, and total depreciation expense for the year was \$635,378, resulting in total net capital assets of \$13,687,212.

**Table 5**  
**Capital Assets, Net of Accumulated Depreciation**

|                                   | June 30, 2015        | June 30, 2014        | Percentage<br>Change |
|-----------------------------------|----------------------|----------------------|----------------------|
| Land                              | \$ 759,736           | \$ 759,736           | 0.00 %               |
| Construction in Progress          | 118,151              | -                    | N/A %                |
| Buildings                         | 10,310,128           | 10,595,354           | (2.69) %             |
| Building improvements             | 1,103,799            | 1,193,247            | (7.50) %             |
| Improvements other than buildings | 333,021              | 366,257              | (9.07) %             |
| Mobile equipment                  | 952,785              | 1,026,712            | (7.20) %             |
| Furniture and equipment           | 109,592              | 92,425               | 18.57 %              |
| Total                             | <u>\$ 13,687,212</u> | <u>\$ 14,033,731</u> | (2.47) %             |

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 \$2,933,812 in outstanding long-term debt, of which \$811,925 is due within one year. During the fiscal year, the District made principal payments totaling \$1,778,947 on outstanding long-term debt. The liability for compensated absences increased \$49,344 from the prior year.



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

**Table 6**  
**Outstanding Long-Term Debt**

|                                            | June 30, 2015       | June 30, 2014       | Percentage<br>Change |   |
|--------------------------------------------|---------------------|---------------------|----------------------|---|
| General obligation bonds payable           | \$ 1,095,000        | \$ 1,445,000        | (24.22)              | % |
| Limited obligation bonds payable           | 628,000             | 888,000             | (29.28)              | % |
| Three mill notes payable                   | 248,000             | 367,000             | (32.43)              | % |
| Obligations under energy efficiency leases | 813,929             | 863,876             | (5.78)               | % |
| Qualified zone academy bonds payable       | -                   | 1,000,000           | (100.00)             | % |
| Compensated absences payable               | 148,883             | 99,539              | 49.57                | % |
| Total                                      | <u>\$ 2,933,812</u> | <u>\$ 4,663,415</u> | (37.09)              | % |

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

### **CURRENT ISSUES**

The Pearl River County School District is financially stable. The District is proud of its community support of the public schools.

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

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

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pearl River County School District, 7441 Highway 11, Carriere, MS 39426.

## **BASIC FINANCIAL STATEMENTS**

|                                                  | Primary Government         |                             |                        |
|--------------------------------------------------|----------------------------|-----------------------------|------------------------|
|                                                  | Governmental<br>Activities | Business-type<br>Activities | Total                  |
| <b>Assets</b>                                    |                            |                             |                        |
| Cash and cash equivalents                        | \$ 5,638,100               | \$ 6,792                    | \$ 5,644,892           |
| Due from other governments                       | 822,382                    | -                           | 822,382                |
| Inventories                                      | 74,754                     | -                           | 74,754                 |
| Restricted assets                                | 519,090                    | -                           | 519,090                |
| Capital assets, non-depreciable:                 |                            |                             |                        |
| Land                                             | 759,736                    | -                           | 759,736                |
| Construction in progress                         | 118,151                    | -                           | 118,151                |
| Capital assets, net of accumulated depreciation: |                            |                             |                        |
| Buildings                                        | 10,310,128                 | -                           | 10,310,128             |
| Building improvements                            | 1,103,799                  | -                           | 1,103,799              |
| Improvements other than buildings                | 333,021                    | -                           | 333,021                |
| Mobile equipment                                 | 952,785                    | -                           | 952,785                |
| Furniture and equipment                          | 109,592                    | -                           | 109,592                |
| Total Assets                                     | <u>20,741,538</u>          | <u>6,792</u>                | <u>20,748,330</u>      |
| <b>Deferred Outflows of Resources</b>            |                            |                             |                        |
| Deferred outflow from advance refunding of debt  | 49,339                     | -                           | 49,339                 |
| Deferred outflow related to pensions             | 2,559,209                  | -                           | 2,559,209              |
| Total Deferred Outflows of Resources             | <u>2,608,548</u>           | <u>-</u>                    | <u>2,608,548</u>       |
| <b>Liabilities</b>                               |                            |                             |                        |
| Accounts payable and accrued liabilities         | 289,092                    | -                           | 289,092                |
| Due to other governments                         | 111,850                    | -                           | 111,850                |
| Unearned revenue                                 | 39                         | -                           | 39                     |
| Interest payable on long-term liabilities        | 24,247                     | -                           | 24,247                 |
| Long-term liabilities, due within one year:      |                            |                             |                        |
| Capital related liabilities                      | 753,000                    | -                           | 753,000                |
| Non-capital related liabilities                  | 58,925                     | -                           | 58,925                 |
| Long-term liabilities, due beyond one year:      |                            |                             |                        |
| Capital related liabilities                      | 1,218,000                  | -                           | 1,218,000              |
| Capital related bond premiums                    | 1,357                      | -                           | 1,357                  |
| Non-capital related liabilities                  | 903,887                    | -                           | 903,887                |
| Net pension liability                            | 23,981,987                 | -                           | 23,981,987             |
| Total Liabilities                                | <u>27,342,384</u>          | <u>-</u>                    | <u>27,342,384</u>      |
| <b>Deferred Inflows of Resources</b>             |                            |                             |                        |
| Deferred inflow related to pensions              | 6,443,040                  | -                           | 6,443,040              |
| Total Deferred Inflows of Resources              | <u>6,443,040</u>           | <u>-</u>                    | <u>6,443,040</u>       |
| <b>Net Position</b>                              |                            |                             |                        |
| Net investment in capital assets                 | 11,764,194                 | -                           | 11,764,194             |
| Restricted for:                                  |                            |                             |                        |
| Expendable:                                      |                            |                             |                        |
| School based activities                          | 481,578                    | 6,792                       | 488,370                |
| Debt service                                     | 450,067                    | -                           | 450,067                |
| Forestry improvements                            | 109,280                    | -                           | 109,280                |
| Unemployment benefits                            | 48,528                     | -                           | 48,528                 |
| Non-expendable:                                  |                            |                             |                        |
| Sixteenth section                                | 376,230                    | -                           | 376,230                |
| Unrestricted                                     | (23,665,215)               | -                           | (23,665,215)           |
| Total Net Position (deficit)                     | <u>\$ (10,435,338)</u>     | <u>\$ 6,792</u>             | <u>\$ (10,428,546)</u> |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

|                                                |               | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                 |
|------------------------------------------------|---------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|-----------------|
| Functions/ Programs                            | Expenses      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-type<br>Activities | Total           |
| Governmental Activities:                       |               |                         |                                          |                                        |                                                      |                             |                 |
| Instruction                                    | \$ 12,196,628 | \$ 487,237              | \$ 1,296,478                             | \$ -                                   | \$ (10,412,913)                                      | -                           | \$ (10,412,913) |
| Support services                               | 8,955,438     | -                       | 986,249                                  | -                                      | (7,969,189)                                          | -                           | (7,969,189)     |
| Non-instructional                              | 1,364,579     | 312,097                 | 1,033,055                                | -                                      | (19,427)                                             | -                           | (19,427)        |
| Sixteenth section                              | 39,840        | -                       | -                                        | -                                      | (39,840)                                             | -                           | (39,840)        |
| Pension expense                                | 557,058       | -                       | -                                        | -                                      | (557,058)                                            | -                           | (557,058)       |
| Interest on long-term liabilities              | 119,804       | -                       | -                                        | -                                      | (119,804)                                            | -                           | (119,804)       |
| Total Governmental Activities                  | 23,233,347    | 799,334                 | 3,315,782                                | -                                      | (19,118,231)                                         | -                           | (19,118,231)    |
| Business-type Activities:                      |               |                         |                                          |                                        |                                                      |                             |                 |
| Early Childhood Development                    | 36,503        | 43,295                  | -                                        | -                                      | -                                                    | 6,792                       | 6,792           |
| Total Business-type Activities                 | 36,503        | 43,295                  | -                                        | -                                      | -                                                    | 6,792                       | 6,792           |
| Total Primary Government                       | \$ 23,269,850 | \$ 842,629              | \$ 3,315,782                             | \$ -                                   | \$ (19,118,231)                                      | \$ 6,792                    | \$ (19,111,439) |
| General Revenues:                              |               |                         |                                          |                                        |                                                      |                             |                 |
| Taxes:                                         |               |                         |                                          |                                        |                                                      |                             |                 |
| General purpose levies                         |               |                         |                                          |                                        | 5,041,875                                            | -                           | 5,041,875       |
| Debt purpose levies                            |               |                         |                                          |                                        | 554,108                                              | -                           | 554,108         |
| Unrestricted grants and contributions:         |               |                         |                                          |                                        |                                                      |                             |                 |
| State                                          |               |                         |                                          |                                        | 14,179,655                                           | -                           | 14,179,655      |
| Federal                                        |               |                         |                                          |                                        | 147,222                                              | -                           | 147,222         |
| Unrestricted investment earnings               |               |                         |                                          |                                        | 12,118                                               | -                           | 12,118          |
| Sixteenth section sources                      |               |                         |                                          |                                        | 59,360                                               | -                           | 59,360          |
| Other                                          |               |                         |                                          |                                        | 166,720                                              | -                           | 166,720         |
| Total General Revenues                         |               |                         |                                          |                                        | 20,161,058                                           | -                           | 20,161,058      |
| Change in Net Position                         |               |                         |                                          |                                        | 1,042,827                                            | 6,792                       | 1,049,619       |
| Net Position-Beginning, as previously reported |               |                         |                                          |                                        | 18,027,005                                           | -                           | 18,027,005      |
| Prior Period Adjustments                       |               |                         |                                          |                                        | (29,505,170)                                         | -                           | (29,505,170)    |
| Net Position-Beginning, as restated            |               |                         |                                          |                                        | (11,478,165)                                         | -                           | (11,478,165)    |
| Net Position (deficit) - Ending                |               |                         |                                          |                                        | \$ (10,435,338)                                      | \$ 6,792                    | \$ (10,428,546) |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2015

Exhibit C

|                                            | Major Funds         |                         |                                       |                                | Total<br>Governmental<br>Funds |
|--------------------------------------------|---------------------|-------------------------|---------------------------------------|--------------------------------|--------------------------------|
|                                            | General<br>Fund     | Title I-A Basic<br>Fund | 1997 Bond Issue<br>Retirement<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>Assets</b>                              |                     |                         |                                       |                                |                                |
| Cash and cash equivalents                  | \$ 4,696,164        | \$ -                    | \$ 229,264                            | \$ 1,088,902                   | \$ 6,014,330                   |
| Cash with fiscal agents                    | -                   | -                       | -                                     | 142,860                        | 142,860                        |
| Due from other governments                 | 299,921             | 132,275                 | 13,953                                | 289,213                        | 735,362                        |
| Due from other funds                       | 509,240             | -                       | -                                     | 6,054                          | 515,294                        |
| Inventories                                | -                   | -                       | -                                     | 74,754                         | 74,754                         |
| <b>Total Assets</b>                        | <b>\$ 5,505,325</b> | <b>\$ 132,275</b>       | <b>\$ 243,217</b>                     | <b>\$ 1,601,783</b>            | <b>\$ 7,482,600</b>            |
| <b>Liabilities and Fund Balances</b>       |                     |                         |                                       |                                |                                |
| <b>Liabilities:</b>                        |                     |                         |                                       |                                |                                |
| Accounts payable and accrued liabilities   | \$ 230,087          | \$ 7                    | \$ -                                  | \$ 58,998                      | \$ 289,092                     |
| Due to other funds                         | 111,823             | 132,268                 | 170,000                               | 126,033                        | 540,124                        |
| Unavailable revenue                        | -                   | -                       | -                                     | 39                             | 39                             |
| <b>Total Liabilities</b>                   | <b>\$ 341,910</b>   | <b>\$ 132,275</b>       | <b>\$ 170,000</b>                     | <b>\$ 185,070</b>              | <b>\$ 829,255</b>              |
| <b>Fund Balances:</b>                      |                     |                         |                                       |                                |                                |
| <b>Nonspendable:</b>                       |                     |                         |                                       |                                |                                |
| Inventory                                  | -                   | -                       | -                                     | 74,754                         | 74,754                         |
| Permanent fund principal                   | -                   | -                       | -                                     | 376,230                        | 376,230                        |
| <b>Restricted:</b>                         |                     |                         |                                       |                                |                                |
| Debt service                               | -                   | -                       | 73,217                                | 401,097                        | 474,314                        |
| Forestry improvements purposes             | -                   | -                       | -                                     | 109,280                        | 109,280                        |
| Grant activities                           | -                   | -                       | -                                     | 38,240                         | 38,240                         |
| Unemployment benefits                      | -                   | -                       | -                                     | 48,528                         | 48,528                         |
| Child nutrition                            | -                   | -                       | -                                     | 368,584                        | 368,584                        |
| <b>Assigned:</b>                           |                     |                         |                                       |                                |                                |
| Activity funds                             | 107,922             | -                       | -                                     | -                              | 107,922                        |
| Unassigned:                                | 5,055,493           | -                       | -                                     | -                              | 5,055,493                      |
| <b>Total Fund Balances</b>                 | <b>\$ 5,163,415</b> | <b>\$ -</b>             | <b>\$ 73,217</b>                      | <b>\$ 1,416,713</b>            | <b>\$ 6,653,345</b>            |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 5,505,325</b> | <b>\$ 132,275</b>       | <b>\$ 243,217</b>                     | <b>\$ 1,601,783</b>            | <b>\$ 7,482,600</b>            |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015

Exhibit C-1

Total fund balances for governmental funds \$ 6,653,345

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                              | \$ 759,736         |            |
| Construction in progress          | 118,151            |            |
| Buildings                         | 15,151,900         |            |
| Building Improvements             | 2,305,225          |            |
| Improvements other than buildings | 830,893            |            |
| Mobile equipment                  | 3,005,274          |            |
| Furniture and equipment           | 880,796            |            |
| Accumulated depreciation          | <u>(9,364,763)</u> | 13,687,212 |

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 (23,981,987)

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

|                                                    |                    |             |
|----------------------------------------------------|--------------------|-------------|
| Deferred outflows of resources related to pensions | 2,559,209          |             |
| Deferred inflows of resources related to pensions  | <u>(6,443,040)</u> | (3,883,831) |

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 | \$ (1,095,000)  |                    |
| Limited obligation bonds           | (628,000)       |                    |
| Notes payable                      | (248,000)       |                    |
| Energy efficiency leases           | (813,929)       |                    |
| Compensated absences               | (148,883)       |                    |
| Unamortized charges                | 49,339          |                    |
| Unamortized premiums               | (1,357)         |                    |
| Accrued interest payable           | <u>(24,247)</u> | <u>(2,910,077)</u> |

Net Position of governmental activities \$ (10,435,338)

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

|                                                           | Major Fund   |                      |                                 |    | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------------|--------------|----------------------|---------------------------------|----|--------------------------|--------------------------|
|                                                           | General Fund | Title I-A Basic Fund | 1997 Bond Issue Retirement Fund |    |                          |                          |
| Revenues:                                                 |              |                      |                                 |    |                          |                          |
| Local sources                                             | \$ 5,661,668 | \$ -                 | \$ 417,624                      | \$ | 493,387                  | \$ 6,572,679             |
| State sources                                             | 14,015,907   | -                    | -                               |    | 673,581                  | 14,689,488               |
| Federal sources                                           | 132,135      | 872,306              | -                               |    | 1,948,730                | 2,953,171                |
| Sixteenth section sources                                 | 60,056       | -                    | -                               |    | 780                      | 60,836                   |
| Total Revenues                                            | 19,869,766   | 872,306              | 417,624                         |    | 3,116,478                | 24,276,174               |
| Expenditures:                                             |              |                      |                                 |    |                          |                          |
| Instruction                                               | 11,679,274   | 432,439              | -                               |    | 1,148,801                | 13,260,514               |
| Support services                                          | 8,363,277    | 419,413              | -                               |    | 749,304                  | 9,531,994                |
| Noninstructional services                                 | 75           | 28,826               | -                               |    | 1,385,552                | 1,414,453                |
| Sixteenth section                                         | 32,915       | -                    | -                               |    | 6,925                    | 39,840                   |
| Facilities acquisition and construction                   | 118,151      | -                    | -                               |    | -                        | 118,151                  |
| Debt service:                                             |              |                      |                                 |    |                          |                          |
| Principal                                                 | 49,947       | -                    | 350,000                         |    | 1,379,000                | 1,778,947                |
| Interest                                                  | 25,485       | -                    | 53,488                          |    | 33,073                   | 112,046                  |
| Other                                                     | -            | -                    | 2,250                           |    | 1,475                    | 3,725                    |
| Total Expenditures                                        | 20,269,124   | 880,678              | 405,738                         |    | 4,704,130                | 26,259,670               |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (399,358)    | (8,372)              | 11,886                          |    | (1,587,652)              | (1,983,496)              |
| Other Financing Sources (Uses):                           |              |                      |                                 |    |                          |                          |
| Sale of other property                                    | 5,585        | -                    | -                               |    | -                        | 5,585                    |
| Operating transfers in                                    | 14,802       | 8,372                | -                               |    | 482,867                  | 506,041                  |
| Operating transfers out                                   | (482,867)    | -                    | -                               |    | (23,174)                 | (506,041)                |
| Total Other Financing Sources (Uses)                      | (462,480)    | 8,372                | -                               |    | 459,693                  | 5,585                    |
| Net Change in Fund Balances                               | (861,838)    | -                    | 11,886                          |    | (1,127,959)              | (1,977,911)              |
| Fund Balances:                                            |              |                      |                                 |    |                          |                          |
| July 1, 2014, as previously reported                      | 5,468,676    | -                    | 61,331                          |    | 3,098,914                | 8,628,921                |
| Fund reclassification                                     | 567,890      | -                    | -                               |    | (567,890)                | -                        |
| Prior period adjustments                                  | (11,313)     | -                    | -                               |    | -                        | (11,313)                 |
| July 1, 2014, as restated                                 | 6,025,253    | -                    | 61,331                          |    | 2,531,024                | 8,617,608                |
| Increase (Decrease) in inventory                          | -            | -                    | -                               |    | 13,648                   | 13,648                   |
| June 30, 2015                                             | \$ 5,163,415 | \$ -                 | \$ 73,217                       | \$ | \$ 1,416,713             | \$ 6,653,345             |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
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 \$ (1,977,911)

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       | \$ 303,465       |           |
| Depreciation expense | <u>(635,378)</u> | (331,913) |

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (14,606)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of 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 | 1,778,947    |           |
| Accrued interest payable   | <u>8,441</u> | 1,787,388 |

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

|                                                                    |                  |           |
|--------------------------------------------------------------------|------------------|-----------|
| Recording of pension expense for the current period                | (557,058)        |           |
| Recording of contributions made subsequent to the measurement date | <u>2,185,097</u> | 1,628,039 |

5. 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                           | (49,344)        |                 |
| Change in inventory                                      | 13,648          |                 |
| Amortization of deferred charges, premiums and discounts | <u>(12,474)</u> | <u>(48,170)</u> |

Change in Net Position of Governmental Activities \$ 1,042,827

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



PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Proprietary Net Position  
June 30, 2015

Exhibit E

|                                                  | Business-type<br>Activities -<br>Enterprise Fund | Early Education<br>Development Center |
|--------------------------------------------------|--------------------------------------------------|---------------------------------------|
| Assets                                           |                                                  |                                       |
| Cash and cash equivalents                        | \$ 6,792                                         |                                       |
| Capital assets, net of accumulated depreciation: |                                                  |                                       |
| Buildings                                        | -                                                |                                       |
| Total Assets                                     | 6,792                                            |                                       |
| Liabilities                                      |                                                  |                                       |
| Accounts payable and accrued liabilities         | -                                                |                                       |
| Total Liabilities                                | -                                                |                                       |
| Net Position                                     |                                                  |                                       |
| Invested in capital assets, net of related debt  | -                                                |                                       |
| Restricted for Early Childhood Development       | 6,792                                            |                                       |
| Total Net Position                               | \$ 6,792                                         |                                       |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit F

|                                | Business-type<br>Activities -<br>Enterprise Fund | Early Childhood<br>Development Center |
|--------------------------------|--------------------------------------------------|---------------------------------------|
| Operating revenues:            |                                                  |                                       |
| Charges for services - tuition | \$ 43,295                                        |                                       |
| Total operating revenues       | 43,295                                           |                                       |
| Operating expenses:            |                                                  |                                       |
| Instruction                    | 36,503                                           |                                       |
| Total operating expenses       | 36,503                                           |                                       |
| Operating income (loss)        | 6,792                                            |                                       |
| Non-operating revenue:         |                                                  |                                       |
| Interest income                | -                                                |                                       |
| Total non-operating revenue    | -                                                |                                       |
| Income (loss) before transfers | 6,792                                            |                                       |
| Transfers in (out)             | -                                                |                                       |
| Change in net position         | 6,792                                            |                                       |
| Net Position - Beginning       | -                                                |                                       |
| Net Position - Ending          | \$ 6,792                                         |                                       |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit G

|                                                                                                | Business-type<br>Activities -<br>Enterprise Fund | Early Childhood<br>Development Center |
|------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------|
| Cash flows from operating activities:                                                          |                                                  |                                       |
| Cash received from customers and users                                                         | \$ 43,295                                        |                                       |
| Cash payments to employees and professional contractors for services                           | (29,816)                                         |                                       |
| Cash payments to suppliers for goods and services                                              | (6,687)                                          |                                       |
| Net cash provided (used) by operating activities                                               | 6,792                                            |                                       |
| Cash flows from noncapital financing activities:                                               |                                                  |                                       |
| Transfers from other funds                                                                     | -                                                |                                       |
| Net cash provided by noncapital financing activities                                           | -                                                |                                       |
| Cash flows from investing activities:                                                          |                                                  |                                       |
| Interest received                                                                              | -                                                |                                       |
| Net cash provided by investing activities                                                      | -                                                |                                       |
| Net increase (decrease) in cash and cash equivalents                                           | 6,792                                            |                                       |
| Cash and cash equivalents, beginning of year                                                   | -                                                |                                       |
| Cash and cash equivalents, end of year                                                         | \$ 6,792                                         |                                       |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: |                                                  |                                       |
| Operating income (loss)                                                                        | \$ 6,792                                         |                                       |
| Adjustments to reconcile operating income to net cash provided<br>by operating activities:     |                                                  |                                       |
| (Increase) decrease in due from other governments                                              | -                                                |                                       |
| Increase (decrease) in accounts payable                                                        | -                                                |                                       |
| Increase (decrease) in due to other funds                                                      | -                                                |                                       |
| Total adjustments                                                                              | -                                                |                                       |
| Net cash provided (used) by operating activities                                               | \$ 6,792                                         |                                       |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
June 30, 2015

Exhibit H

|                                          | Private-Purpose<br>Trust Funds | Agency<br>Funds     |
|------------------------------------------|--------------------------------|---------------------|
| Assets                                   |                                |                     |
| Cash and cash equivalents                | \$ 1,503                       | \$ 1,137,206        |
| Due from other funds                     | -                              | 111,850             |
| Total Assets                             | <u>1,503</u>                   | <u>\$ 1,249,056</u> |
| Liabilities                              |                                |                     |
| Accounts payable and accrued liabilities | -                              | \$ 1,133,711        |
| Due to other funds                       | -                              | 87,020              |
| Due to student clubs                     | -                              | 28,325              |
| Total Liabilities                        | <u>-</u>                       | <u>\$ 1,249,056</u> |
| Net Position                             |                                |                     |
| Held in trust                            | 1,503                          |                     |
| Total Net Position                       | <u>\$ 1,503</u>                |                     |

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

PEARL RIVER COUNTY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2015

Exhibit I

|                                                  | Private-Purpose<br>Trust Funds |
|--------------------------------------------------|--------------------------------|
| Additions                                        |                                |
| Interest on investments                          | \$ 2                           |
| Contributions and donations from private sources | <u>1,000</u>                   |
| Total Additions                                  | <u>1,002</u>                   |
| Deductions                                       |                                |
| Scholarships awarded                             | <u>750</u>                     |
| Total Deductions                                 | <u>750</u>                     |
| Change in Net Position                           | <u>252</u>                     |
| Net Position                                     |                                |
| July 1, 2014                                     | <u>1,251</u>                   |
| June 30, 2015                                    | <u><u>\$ 1,503</u></u>         |

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

## **NOTES TO FINANCIAL STATEMENTS**

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Pearl River County 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.

The district reports the following major Enterprise Fund. The Early Education Development Center is a fund used to account for monies from fees collected and used for the Early Education Center.

**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.

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2015

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund – This fund accounts for the resources and expenditures of federal revenue for specific purposes.

The 1997 Bond Issue Retirement Fund – This fund accounts for the resources and other financing uses to service debt payments.

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

The district reports the following major Enterprise Fund:

Early Education Development Center – This fund is used to account for monies from fees collected and used for the Early Education Center.

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District’s fiduciary funds include the following:

- Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.



PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2015

- Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.
- Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.
- Coca-Cola Scholarship Fund – This fund is used to account for funds received from Coca-Cola for scholarships to students at the district.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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.

PROPRIETARY FUNDS

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the District has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUNDS

Private-purpose Trust Funds – Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2015

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

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

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

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 school 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.

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2015

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**E. Assets, liabilities, deferred outflows, 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.

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2015

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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 value of the asset or materially extend asset lives are not capitalized. Capital assets are

# PEARL RIVER COUNTY SCHOOL DISTRICT

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

defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

### 7. 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.

A. The Deferred outflows from advance refunding of general obligation and limited obligation bonds payable

B. Deferred outflows for Pension Contributions

(See Note 14 for further details.)

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 for Pension Settlements to Plan Members

(See note 8 for further details.)

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the 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:

# PEARL RIVER COUNTY SCHOOL DISTRICT

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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

*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.

### 12. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.



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

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, proprietary funds, and fiduciary funds were \$6,014,330, \$6,792, and \$1,138,709, 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 school district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$8,528,698 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$142,860.

**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    |
|-----------------|---------------------------------|-----------|
| Fiduciary Funds | General Fund                    | \$111,823 |
| General Fund    | Title 1-A Basic Fund            | 132,268   |
| General Fund    | 1997 Bond Issue Retirement Fund | 170,000   |



PEARL RIVER COUNTY SCHOOL DISTRICT  
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| Receivable Fund          | Payable Fund             | Amount           |
|--------------------------|--------------------------|------------------|
| General Fund             | Other Governmental Funds | 119,952          |
| Other Governmental Funds | Other Governmental Funds | 6,054            |
| Fiduciary Funds          | Other Governmental Funds | 27               |
| General Fund             | Fiduciary Funds          | <u>87,020</u>    |
| Total                    |                          | <u>\$627,144</u> |

The purpose of interfund loans was to account for federal funds that were not received until after the year ending June 30, 2015.

**B. Inter-fund Transfers**

| Transfers Out            | Transfers In             | Amount           |
|--------------------------|--------------------------|------------------|
| General Fund             | Other Governmental Funds | \$482,867        |
| Other Governmental Funds | General Fund             | 14,802           |
| Other Governmental Funds | Title 1-A Basic Fund     | <u>8,372</u>     |
| Total                    |                          | <u>\$506,041</u> |

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$376,230 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the District's programs. In addition, the restricted assets represent the cash with fiscal agent balance, totaling \$142,860 of the MAEP Limited Obligation Bond/Note Fund.

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
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**Note 5 – Capital Assets**

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

|                                             | Balance<br>7/1/2014 | Increases | Decreases | Adjustments | Balance<br>6/30/2015 |
|---------------------------------------------|---------------------|-----------|-----------|-------------|----------------------|
| <b>Governmental Activities</b>              |                     |           |           |             |                      |
| <u>Non-depreciable capital assets:</u>      |                     |           |           |             |                      |
| Land                                        | \$ 759,736          |           |           |             | \$ 759,736           |
| Construction in Process                     |                     | 118,151   |           |             | 118,151              |
| Total non-depreciable capital assets        | 759,736             | 118,151   |           |             | 877,887              |
| <u>Depreciable capital assets:</u>          |                     |           |           |             |                      |
| Buildings                                   | 15,151,900          |           |           |             | 15,151,900           |
| Building improvements                       | 2,305,225           |           |           |             | 2,305,225            |
| Improvements other than buildings           | 830,893             |           |           |             | 830,893              |
| Mobile equipment                            | 3,035,223           | 113,940   | (143,889) |             | 3,005,274            |
| Furniture and equipment                     | 831,180             | 71,374    | (21,758)  |             | 880,796              |
| Total depreciable capital assets            | 22,154,421          | 185,314   | 165,647   |             | 22,174,088           |
| <u>Less accumulated depreciation for:</u>   |                     |           |           |             |                      |
| Buildings                                   | 4,556,546           | 285,226   |           |             | 4,841,772            |
| Building improvements                       | 1,111,978           | 89,448    |           |             | 1,201,426            |
| Improvements other than buildings           | 464,636             | 33,236    |           |             | 497,872              |
| Mobile equipment                            | 2,008,511           | 173,478   | (129,500) |             | 2,052,489            |
| Furniture and equipment                     | 738,755             | 53,990    | (21,541)  |             | 771,204              |
| Total accumulated depreciation              | 8,880,426           | 635,378   | (151,041) |             | 9,364,763            |
| Total depreciable capital assets, net       | 13,273,995          | (450,064) | 14,606    |             | 12,809,325           |
| Governmental activities capital assets, net | \$14,033,731        | (331,913) | 14,606    |             | \$13,687,212         |

Depreciation expense was charged to the following governmental functions:

|                                                      | <u>Amount</u>     |
|------------------------------------------------------|-------------------|
| <b>Governmental activities:</b>                      |                   |
| Instruction                                          | \$ 362,915        |
| Support services                                     | 224,912           |
| Non-instructional                                    | 47,551            |
| Total depreciation expense – Governmental activities | <u>\$ 635,378</u> |

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Construction in progress is composed of:

|                                 | Spent to<br>June 30, 2015 | Remaining<br>Commitment |
|---------------------------------|---------------------------|-------------------------|
| <b>Governmental Activities:</b> |                           |                         |
| Stadium renovations             | \$ 118,151                | \$ 665,849              |
| Total construction in progress  | <u>\$ 118,151</u>         | <u>\$ 665,849</u>       |

**Note 6 – Long-term Liabilities**

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

|                                                      | Balance<br>6/30/2014 | Additions        | Reductions          | Adjustments | Balance<br>6/30/2015 | Amounts<br>due within<br>one year |
|------------------------------------------------------|----------------------|------------------|---------------------|-------------|----------------------|-----------------------------------|
| <b>A. General obligation refunding bonds payable</b> | \$ 1,445,000         | -                | \$ 350,000          |             | \$ 1,095,000         | \$ 360,000                        |
| Premium on debt issuance                             | 1,697                | -                | 340                 |             | 1,357                | -                                 |
| <b>B. Limited obligation bonds payable</b>           | 888,000              | -                | 260,000             |             | 628,000              | 270,000                           |
| <b>C. Three mill notes payable</b>                   | 367,000              | -                | 119,000             |             | 248,000              | 123,000                           |
| <b>D. Obligations under energy efficiency leases</b> | 863,876              | -                | 49,947              |             | 813,929              | 51,481                            |
| <b>E. Qualified zone academy bonds payable</b>       | 1,000,000            | -                | 1,000,000           |             | -                    | -                                 |
| <b>F. Compensated absences payable</b>               | 99,539               | 49,344           | -                   |             | 148,883              | 7,444                             |
| <b>Total</b>                                         | <u>\$ 4,665,112</u>  | <u>\$ 49,344</u> | <u>\$ 1,779,287</u> |             | <u>\$ 2,935,169</u>  | <u>\$ 811,925</u>                 |

**A. General obligation bonds payable**

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

| Description                           | Interest<br>Rate | Issue<br>Date | Maturity<br>Date | Amount<br>Issued   | Amount<br>Outstanding |
|---------------------------------------|------------------|---------------|------------------|--------------------|-----------------------|
| General obligation bonds, series 2003 | 2.00-3.85        | 8/19/2003     | 2/15/2018        | \$4,475,000        | \$ 1,095,000          |
| <b>Total</b>                          |                  |               |                  | <u>\$4,475,000</u> | <u>\$ 1,095,000</u>   |

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

General obligation bond issue of August 19, 2003

| Year Ending<br>June 30 | Principal           | Interest         | Total               |
|------------------------|---------------------|------------------|---------------------|
| 2016                   | 360,000             | 41,063           | 401,063             |
| 2017                   | 375,000             | 27,923           | 402,923             |
| 2018                   | 360,000             | 13,860           | 373,860             |
| <b>Total</b>           | <u>\$ 1,095,000</u> | <u>\$ 82,846</u> | <u>\$ 1,177,846</u> |

PEARL RIVER COUNTY SCHOOL DISTRICT

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This debt will be retired from the 2003 retirement fund (4022).

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, 2014, the amount of outstanding bonded indebtedness was equal to 1.22% of property assessments as of October 1, 2013.

**B. Limited obligation bonds payable**

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

| Description                                               | Interest Rate | Issue Date | Maturity Date | Amount Issued      | Amount Outstanding |
|-----------------------------------------------------------|---------------|------------|---------------|--------------------|--------------------|
| State aid capital improvement refunding bond, series 2011 | 2.45          | 4/18/2011  | 8/1/2017      | \$1,592,000        | \$ 628,000         |
| Total                                                     |               |            |               | <u>\$1,592,000</u> | <u>\$ 628,000</u>  |

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

Limited obligation bond issue of April 18, 2011:

| Year Ending<br>June 30 | Principal         | Interest         | Total             |
|------------------------|-------------------|------------------|-------------------|
| 2016                   | 270,000           | 22,163           | 292,163           |
| 2017                   | 280,000           | 5,341            | 285,341           |
| 2018                   | 78,000            | 956              | 78,956            |
| Total                  | <u>\$ 628,000</u> | <u>\$ 28,460</u> | <u>\$ 656,460</u> |

This debt will be retired from the 1998 Bond Retirement Fund (4041).

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

PEARL RIVER COUNTY SCHOOL DISTRICT

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

**C. Three mill notes payable**

Debt currently outstanding is as follows:

| Description                    | Interest Rate | Issue Date | Maturity Date | Amount Issued      | Amount Outstanding |
|--------------------------------|---------------|------------|---------------|--------------------|--------------------|
| Limited tax notes, series 2004 | 1.40-4.05     | 4/2/2004   | 4/1/2017      | \$2,000,000        | \$ 248,000         |
| Total                          |               |            |               | <u>\$2,000,000</u> | <u>\$ 248,000</u>  |

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

Three mill notes payable issue of April 2, 2004:

| Year Ending<br>June 30 | Principal         | Interest         | Total             |
|------------------------|-------------------|------------------|-------------------|
| 2016                   | 123,000           | 9,921            | 132,921           |
| 2017                   | 125,000           | 5,063            | 130,063           |
| Total                  | <u>\$ 248,000</u> | <u>\$ 14,984</u> | <u>\$ 262,984</u> |

This debt will be retired from the Three mill debt service fund (4022).

**D. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

| Description                                 | Interest Rate | Issue Date | Maturity Date | Amount Issued     | Amount Outstanding |
|---------------------------------------------|---------------|------------|---------------|-------------------|--------------------|
| Energy efficiency lease, issue of 8/16/2013 | 3.03          | 8/16/2013  | 8/16/2028     | \$ 908,351        | \$ 813,929         |
| Total                                       |               |            |               | <u>\$ 908,351</u> | <u>\$ 813,929</u>  |

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

Obligations under energy efficiency leases issue of August 16, 2013:

| Year Ending<br>June 30 | Principal         | Interest          | Total             |
|------------------------|-------------------|-------------------|-------------------|
| 2016                   | 51,481            | 23,951            | 75,432            |
| 2017                   | 53,063            | 22,369            | 75,432            |
| 2018                   | 54,693            | 20,739            | 75,432            |
| 2019                   | 56,374            | 19,058            | 75,432            |
| 2020                   | 58,106            | 17,326            | 75,432            |
| 2021-2025              | 318,430           | 58,731            | 377,161           |
| 2026-2029              | 221,782           | 10,801            | 232,583           |
| Total                  | <u>\$ 813,929</u> | <u>\$ 172,975</u> | <u>\$ 986,904</u> |

This debt will be retired from the general fund (1120).

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An energy efficiency lease agreement dated August 7, 2013, was executed by and between the district, the lessee, and BancorpSouth Equipment Finance, a division of BancorpSouth Bank, the lessor.

The agreement authorized the borrowing of \$908,351 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**E. Qualified zone academy bonds payable**

Debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

| Description                              | Interest Rate | Issue Date | Maturity Date | Amount Issued       | Amount Outstanding |
|------------------------------------------|---------------|------------|---------------|---------------------|--------------------|
| Qualified Zone Academy Bond, series 2004 | 0.00          | 11/18/2004 | 11/18/2014    | \$ 1,000,000        | \$ 0               |
| Total                                    |               |            |               | <u>\$ 1,000,000</u> | <u>\$ 0</u>        |

**F. Compensated absences payable**

As more fully explained in Note 1(E)(9), 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 – Prior Year Defeasance of Debt**

In prior years, the Pearl River County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2015, \$625,000 of bonds outstanding are defeased.

**Note 8 – 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

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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 \$2,185,097, \$1,901,479 and \$1,974,820, respectively, which equaled the required contributions for each year.

PEARL RIVER COUNTY SCHOOL DISTRICT  
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For the Year Ended June 30, 2015

**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 \$23,981,987 for its proportionate share of the net pension liability. 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 0.197575 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$557,058. 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<br>of Resources | Deferred Inflows of<br>Resources |
|------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                       | \$ 374,112                        | \$ -                             |
| Net difference between projected and actual earnings on pension plan investments         |                                   | 3,476,366                        |
| Difference between net impact of entries and calculated balance of net pension liability |                                   | 2,966,674                        |
| District contributions subsequent to the measurement date                                | 2,185,097                         |                                  |
| Total                                                                                    | <u>\$ 2,559,209</u>               | <u>\$ 6,443,040</u>              |

\$2,185,097 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                | \$ (1,801,668) |
| 2017                | (1,801,668)    |
| 2018                | (1,596,501)    |
| 2019                | (869,091)      |



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*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.

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<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>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>                 |                                                       |

*Discount rate.* The discount rate used to measure the total pension liability was 8 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

PEARL RIVER COUNTY SCHOOL DISTRICT  
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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:

|                                                                | 1% Decrease<br>(7.00%) | Current Discount<br>Rate (8.00%) | 1% Increase<br>(9.00%) |
|----------------------------------------------------------------|------------------------|----------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 32,694,600          | \$ 23,981,987                    | \$ 16,714,373          |

*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 9 – 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 there from 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.

| Year Ending June 30 | Amount              |
|---------------------|---------------------|
| 2016                | \$ 45,820           |
| 2017                | 38,899              |
| 2018                | 45,820              |
| 2019                | 44,875              |
| 2020                | 44,875              |
| 2021-2025           | 217,724             |
| 2026-2030           | 205,199             |
| 2031-2035           | 188,699             |
| 2036-2040           | 128,571             |
| Thereafter          | 97,946              |
| Total               | <u>\$ 1,058,428</u> |

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**Note 10 – 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)                              | \$ | (31,395,336)        |
| Deferred outflows – contributions made during fiscal<br>year 2014     |    | <u>1,901,479</u>    |
| Total prior period adjustment related to<br>GASB 68 and 71            | \$ | (29,493,857)        |
| 2) Correction of prior year transfer and to void<br>outstanding items |    | <u>(11,313)</u>     |
| Total                                                                 | \$ | <u>(29,505,170)</u> |

**Note 11 – Contingencies**

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

**Note 12 – 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 disaster. The district carries commercial insurance for these risks. Settled claims resulting from these incurred risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 13 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$11,764,194 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$49,339 balance of the deferred outflow of resources at June 30, 2015, will be recognized as an expense and decrease the net investment in capital assets net position over the next 3 years.

PEARL RIVER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2015

The unrestricted net position amount of (\$23,665,215) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,185,097 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$374,112 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$6,443,040 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

**Note 14 – Fund Reclassification**

The Sixteenth Section Interest Fund beginning balance of \$567,890 was reclassified from the Special Revenue Fund to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to comply with the reporting requirements of Sections 29-3-115 and 29-3-117, Miss. Code Ann. (1972).

**Note 15 – 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 River County School District evaluated the activity of the district through January 10, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

In April 2015 the District entered into a contract totaling \$784,000 for stadium renovation. As of June 30, 2015, the project was less than 20% complete and a total of \$118,151 had been paid. Construction was completed in late August 2015 and the total cost for the project was \$808,715 with the balance of \$690,564 paid in the fiscal year ended June 30, 2016.

## **REQUIRED SUPPLEMENTARY INFORMATION**

PEARL RIVER SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2015

|                                                              | Budgeted Amounts    |                     | Actual<br>(GAAP<br>Basis) | Variances<br>Positive (Negative) |                     |
|--------------------------------------------------------------|---------------------|---------------------|---------------------------|----------------------------------|---------------------|
|                                                              | Original            | Final               |                           | Original<br>to Final             | Final<br>to Actual  |
| <b>Revenues:</b>                                             |                     |                     |                           |                                  |                     |
| Local sources                                                | \$ 5,382,881        | \$ 5,661,668        | \$ 5,661,668              | \$ 278,787                       | \$ -                |
| State sources                                                | 13,912,336          | 14,015,907          | 14,015,907                | 103,571                          | -                   |
| Federal sources                                              | 156,000             | 132,135             | 132,135                   | (23,865)                         | -                   |
| Sixteenth section sources                                    | 70,775              | 60,056              | 60,056                    | (10,719)                         | -                   |
| Total Revenues                                               | <u>19,521,992</u>   | <u>19,869,766</u>   | <u>19,869,766</u>         | <u>347,774</u>                   | <u>-</u>            |
| <b>Expenditures:</b>                                         |                     |                     |                           |                                  |                     |
| Instruction                                                  | 11,234,288          | 11,573,174          | 11,679,274                | (338,886)                        | (106,100)           |
| Support services                                             | 8,221,240           | 8,363,277           | 8,363,277                 | (142,037)                        | -                   |
| Noninstructional services                                    | 135                 | 75                  | 75                        | 60                               | -                   |
| Sixteenth section                                            | 33,750              | 32,915              | 32,915                    | 835                              | -                   |
| Facilities acquisition and construction                      | -                   | 118,151             | 118,151                   | (118,151)                        | -                   |
| Debt service:                                                |                     |                     |                           |                                  |                     |
| Principal                                                    | 49,947              | 49,947              | 49,947                    | -                                | -                   |
| Interest                                                     | 25,485              | 25,485              | 25,485                    | -                                | -                   |
| Total Expenditures                                           | <u>19,564,845</u>   | <u>20,163,024</u>   | <u>20,269,124</u>         | <u>(598,179)</u>                 | <u>(106,100)</u>    |
| Excess (Deficiency) of Revenues<br>Over (under) Expenditures | <u>(42,853)</u>     | <u>(293,258)</u>    | <u>(399,358)</u>          | <u>(250,405)</u>                 | <u>(106,100)</u>    |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                           |                                  |                     |
| Bonds and notes issued                                       | -                   | 5,585               | 5,585                     | 5,585                            | -                   |
| Operating transfers in                                       | 3,008,329           | 3,107,337           | 14,802                    | 99,008                           | (3,092,535)         |
| Operating transfers out                                      | <u>(3,453,707)</u>  | <u>(3,575,402)</u>  | <u>(482,867)</u>          | <u>(121,695)</u>                 | <u>3,092,535</u>    |
| Total Other Financing Sources (Uses)                         | <u>(445,378)</u>    | <u>(462,480)</u>    | <u>(462,480)</u>          | <u>(17,102)</u>                  | <u>-</u>            |
| Net Change in Fund Balances                                  | <u>(488,231)</u>    | <u>(755,738)</u>    | <u>(861,838)</u>          | <u>(267,507)</u>                 | <u>(106,100)</u>    |
| <b>Fund Balances:</b>                                        |                     |                     |                           |                                  |                     |
| July 1, 2014, as previously reported                         | 6,036,566           | 6,036,566           | 5,468,676                 | -                                | (567,890)           |
| Fund reclassification                                        | -                   | -                   | 567,890                   | -                                | 567,890             |
| Prior period adjustments                                     | -                   | (5,590)             | (11,313)                  | (5,590)                          | (5,723)             |
| July 1, 2014, as restated                                    | <u>6,036,566</u>    | <u>6,030,976</u>    | <u>6,025,253</u>          | <u>(5,590)</u>                   | <u>(5,723)</u>      |
| June 30, 2015                                                | <u>\$ 5,548,335</u> | <u>\$ 5,275,238</u> | <u>\$ 5,163,415</u>       | <u>\$ (273,097)</u>              | <u>\$ (111,823)</u> |

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

PEARL RIVER SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title 1-A Basic Fund  
 For the Year Ended June 30, 2015

|                                                              | Budgeted Amounts |            | Actual<br>(GAAP<br>Basis) | Variances<br>Positive (Negative) |                    |
|--------------------------------------------------------------|------------------|------------|---------------------------|----------------------------------|--------------------|
|                                                              | Original         | Final      |                           | Original<br>to Final             | Final<br>to Actual |
| <b>Revenues:</b>                                             |                  |            |                           |                                  |                    |
| Federal sources                                              | \$ 602,003       | \$ 872,306 | \$ 872,306                | \$ 270,303                       | \$ -               |
| Total Revenues                                               | 602,003          | 872,306    | 872,306                   | 270,303                          | -                  |
| <b>Expenditures:</b>                                         |                  |            |                           |                                  |                    |
| Instruction                                                  | 168,725          | 432,439    | 432,439                   | (263,714)                        | -                  |
| Support services                                             | 410,721          | 419,413    | 419,413                   | (8,692)                          | -                  |
| Noninstructional services                                    | 26,743           | 28,826     | 28,826                    | (2,083)                          | -                  |
| Total Expenditures                                           | 606,189          | 880,678    | 880,678                   | (274,489)                        | -                  |
| Excess (Deficiency) of Revenues<br>Over (under) Expenditures | (4,186)          | (8,372)    | (8,372)                   | (4,186)                          | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |            |                           |                                  |                    |
| Operating transfers in                                       | 4,186            | 8,372      | 8,372                     | 4,186                            | -                  |
| Total Other Financing Sources (Uses)                         | 4,186            | 8,372      | 8,372                     | 4,186                            | -                  |
| Net Change in Fund Balances                                  | -                | -          | -                         | -                                | -                  |
| Fund Balances:                                               |                  |            |                           |                                  |                    |
| July 1, 2014                                                 | -                | -          | -                         | -                                | -                  |
| June 30, 2015                                                | \$ -             | \$ -       | \$ -                      | \$ -                             | \$ -               |

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

PEARL RIVER CENTRAL SCHOOL DISTRICT  
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)                                                            | \$ 23,981,987 |
| District's proportionate share of the net pension liability (asset)                                                   | 0.197575%     |
| District's covered - employee payroll                                                                                 | 12,072,883    |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll | 198.643425%   |
| Plan fiduciary net position as a percentage of the total pension liability                                            | 67.207687%    |

\* 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 resented information for the years in which information is available.

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



PEARL RIVER CENTRAL SCHOOL DISTRICT  
Schedule of the District Contributions  
PERS  
Last 10 Fiscal Years\*

|                                                                      | <u>2015</u>      |
|----------------------------------------------------------------------|------------------|
| Contractually required contribution                                  | \$ 2,185,097     |
| Contributions in relation to the contractually required contribution | <u>2,185,097</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      |
| District's covered - employee payroll                                | \$ 13,873,632    |
| Contributions as a percentage of covered - employee payroll          | 15.75%           |

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

## **SUPPLEMENTAL INFORMATION**

PEARL RIVER COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year ended June 30, 2015

| <u>Federal Grantor / Pass-through Grantor / Program Title</u>        | <u>Catalog of Fed.<br/>Domestic<br/>Assistance Number</u> | <u>Federal<br/>Expenditures</u> |
|----------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------|
| <u>U.S. Department of Agriculture</u>                                |                                                           |                                 |
| Passed-through Mississippi Department of Education:                  |                                                           |                                 |
| Child nutrition cluster:                                             |                                                           |                                 |
| School breakfast program                                             | 10.553                                                    | \$ 204,001                      |
| National school lunch program                                        | 10.555                                                    | 887,259                         |
| Summer food service program for children                             | 10.559                                                    | 7,854                           |
| Total Passed-through Mississippi Department of Education             |                                                           | <u>1,099,114</u>                |
| Total child nutrition cluster                                        |                                                           | <u>1,099,114</u>                |
| Total U.S. Department of Agriculture                                 |                                                           | <u>1,099,114</u>                |
| <u>U.S. Department of Defense</u>                                    |                                                           |                                 |
| Direct Program:                                                      |                                                           |                                 |
| Reserve Officers' Training Corps                                     | 12.xxx                                                    | <u>84,552</u>                   |
| Total U.S. Department of Defense                                     |                                                           | <u>84,552</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                                                    | <u>28,800</u>                   |
| Total Federal Communications Commission                              |                                                           | <u>28,800</u>                   |
| <u>U.S. Department of Education</u>                                  |                                                           |                                 |
| Passed-through Mississippi Department of Education:                  |                                                           |                                 |
| Title I grants to local educational agencies                         | 84.010                                                    | 872,306                         |
| Career and technical education - basic grants to states              | 84.048                                                    | 35,838                          |
| Rehabilitation Services - Vocational Rehabilitation Grants to States | 84.126                                                    | 1,230                           |
| Rural Education                                                      | 84.358                                                    | 61,486                          |
| Improving teacher quality - State Grants                             | 84.367                                                    | 148,514                         |
| Subtotal                                                             |                                                           | <u>1,119,374</u>                |
| Special Education Cluster:                                           |                                                           |                                 |
| Special education - grants to states                                 | 84.027                                                    | 558,863                         |
| Special education - preschool grants                                 | 84.173                                                    | 29,828                          |
| Total special education cluster                                      |                                                           | <u>588,691</u>                  |
| Total Passed-through Mississippi Department of Education             |                                                           | <u>1,708,065</u>                |
| Total U.S. Department of Education                                   |                                                           | <u>1,708,065</u>                |
| <u>U.S. Department of Health and Human Services</u>                  |                                                           |                                 |
| Medicaid cluster:                                                    |                                                           |                                 |
| Medical assistance program                                           | 93.778                                                    | <u>32,640</u>                   |
| Total Medicaid cluster                                               |                                                           | <u>32,640</u>                   |
| Total for all Federal Awards                                         |                                                           | <u>\$ 2,953,171</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.

Pearl River County School District  
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds  
For the Year Ended June 30, 2015

| Expenditures                 | Total         | Instruction and Other Student Instructional Expenditures |                       |           |
|------------------------------|---------------|----------------------------------------------------------|-----------------------|-----------|
|                              |               | General Administration                                   | School Administration | Other     |
| Salaries and fringe benefits | \$ 17,660,012 | 823,392                                                  | 1,603,721             | 1,966,697 |
| Other                        | 8,599,658     | 349,621                                                  | 95,516                | 5,820,598 |
| Total                        | 26,259,670    | 1,173,013                                                | 1,699,237             | 7,787,295 |
| Total number of students*    | 2,653         |                                                          |                       |           |
| Cost per student             | \$ 9,898      | 442                                                      | 641                   | 2,935     |

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, teacher's aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)

**General Administration** – includes expenditures for the following functions: Support Services – General Administration (2300s); Support Services – Business (2500s)

**School Administration** – includes expenditures for the following function: Support Services – School Administration (2400s)

**Other** – includes all expenditure functions not included in instruction or Administration Categories

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

## **OTHER INFORMATION**

**PEARL RIVER COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

“UNAUDITED”

General Fund

Last Four Years

|                                                              | <u>2015</u>         | <u>2014*</u>        | <u>2013*</u>        | <u>2012*</u>        |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>                                             |                     |                     |                     |                     |
| Local sources                                                | 5,661,668           | \$ 5,761,124        | \$ 5,870,138        | \$ 5,679,838        |
| State sources                                                | 14,015,907          | 14,086,693          | 13,811,407          | 13,618,932          |
| Federal sources                                              | 132,135             | 161,522             | 128,655             | 93,485              |
| Sixteenth section sources                                    | <u>60,056</u>       | <u>0</u>            | <u>0</u>            | <u>0</u>            |
| Total Revenues                                               | <u>19,869,766</u>   | <u>20,009,339</u>   | <u>19,810,200</u>   | <u>19,392,255</u>   |
| <b>Expenditures:</b>                                         |                     |                     |                     |                     |
| Instruction                                                  | 11,679,274          | 11,924,583          | 12,290,565          | 11,974,087          |
| Support services                                             | 8,363,277           | 9,495,036           | 8,095,791           | 7,380,005           |
| Noninstructional services                                    | 75                  | 75                  | 106                 | 99                  |
| Sixteenth section                                            | 32,915              |                     |                     |                     |
| Facilities acquisition & construction                        | 118,151             |                     |                     |                     |
| Debt service:                                                |                     |                     |                     |                     |
| Principal                                                    | 49,947              | 44,475              |                     |                     |
| Interest                                                     | <u>25,485</u>       | <u>24,671</u>       | <u>0</u>            | <u>0</u>            |
| Total Expenditures                                           | <u>20,269,124</u>   | <u>21,488,840</u>   | <u>20,386,462</u>   | <u>19,354,191</u>   |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | <u>(339,358)</u>    | <u>(1,479,501)</u>  | <u>(576,262)</u>    | <u>38,064</u>       |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                     |                     |
| Bonds and notes issued                                       |                     | 908,351             |                     |                     |
| Insurance recovery                                           |                     |                     | 1,934               |                     |
| Sale of other property                                       | 5,585               |                     | 1,800               | 10,210              |
| Operating transfers in                                       | 14,802              | 230,217             | 15,600              | 97,271              |
| Operating transfers out                                      | (482,867)           | (519,817)           | (380,034)           | (449,898)           |
| Other financing uses                                         | <u>0</u>            | <u>0</u>            | <u>(650)</u>        | <u>(650)</u>        |
| Total Other Financing Sources (Uses)                         | <u>(462,480)</u>    | <u>618,751</u>      | <u>(361,350)</u>    | <u>(343,067)</u>    |
| Net Change in Fund Balances                                  | <u>(861,838)</u>    | <u>(860,750)</u>    | <u>(937,612)</u>    | <u>(305,003)</u>    |
| <b>Fund Balances:</b>                                        |                     |                     |                     |                     |
| Fund balance, July 1, as previously reported                 | 5,468,676           | 6,329,426           | 7,267,038           | 7,572,041           |
| Fund reclassification                                        | 567,890             |                     |                     |                     |
| Prior period adjustments                                     | <u>(11,313)</u>     | <u>0</u>            | <u>0</u>            | <u>0</u>            |
| Fund balance, July 1, as restated                            | <u>6,025,253</u>    | <u>6,329,426</u>    | <u>7,267,038</u>    | <u>7,572,041</u>    |
| Fund balance, June 30                                        | <u>\$ 5,163,415</u> | <u>\$ 5,468,676</u> | <u>\$ 6,329,426</u> | <u>\$ 7,267,038</u> |

\* SOURCE – PRIOR YEAR AUDIT REPORTS

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

“UNAUDITED”

## All Governmental Funds

## Last Four Years

|                                                              | <u>2015</u>         | <u>2014*</u>        | <u>2013*</u>        | <u>2012*</u>         |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Revenues:</b>                                             |                     |                     |                     |                      |
| Local sources                                                | \$ 6,572,679        | \$ 6,736,180        | \$ 6,875,568        | \$ 6,665,870         |
| State sources                                                | 14,689,488          | 14,742,855          | 14,396,131          | 14,265,043           |
| Federal sources                                              | 2,953,171           | 2,740,785           | 2,834,175           | 2,764,344            |
| Sixteenth section sources                                    | <u>60,836</u>       | <u>269,960</u>      | <u>111,831</u>      | <u>159,407</u>       |
| Total Revenues                                               | <u>24,276,174</u>   | <u>24,489,780</u>   | <u>24,217,705</u>   | <u>23,854,664</u>    |
| <b>Expenditures:</b>                                         |                     |                     |                     |                      |
| Instruction                                                  | 13,260,514          | 13,344,679          | 13,706,446          | 13,363,784           |
| Support services                                             | 9,531,994           | 10,480,431          | 9,006,202           | 8,467,114            |
| Noninstructional services                                    | 1,414,453           | 1,402,448           | 1,397,863           | 1,394,563            |
| Sixteenth section                                            | 39,840              | 39,812              | 73,997              | 37,048               |
| Facilities acquisition & construction                        | 118,151             |                     |                     |                      |
| Debt service:                                                |                     |                     |                     |                      |
| Principal                                                    | 1,778,947           | 805,103             | 730,314             | 711,875              |
| Interest                                                     | 112,046             | 134,664             | 131,664             | 145,884              |
| Other                                                        | <u>3,725</u>        | <u>4,150</u>        | <u>4,150</u>        | <u>1,650</u>         |
| Total Expenditures                                           | <u>26,259,670</u>   | <u>26,211,287</u>   | <u>25,050,636</u>   | <u>24,121,918</u>    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(1,983,496)</u>  | <u>(1,721,507)</u>  | <u>(832,931)</u>    | <u>(267,254)</u>     |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                     |                      |
| Bonds and notes issued                                       |                     | 908,351             |                     |                      |
| Insurance recovery                                           |                     |                     | 1,934               |                      |
| Sale of other property                                       | 5,585               |                     | 1,800               | 10,210               |
| Operating transfers in                                       | 506,041             | 753,823             | 395,634             | 547,169              |
| Other financing sources                                      |                     | 677                 | 650                 | 650                  |
| Operating transfers out                                      | (506,041)           | (753,823)           | (395,634)           | (547,169)            |
| Other financing uses                                         | <u>0</u>            | <u>(3,958)</u>      | <u>(650)</u>        | <u>(3,150)</u>       |
| Total Other Financing Sources (Uses)                         | <u>5,585</u>        | <u>905,070</u>      | <u>3,734</u>        | <u>7,710</u>         |
| Net Change in Fund Balances                                  | <u>(1,977,911)</u>  | <u>(816,437)</u>    | <u>(829,197)</u>    | <u>(259,544)</u>     |
| <b>Fund Balances:</b>                                        |                     |                     |                     |                      |
| Fund balance, July 1, as previously reported                 | 8,628,921           | 9,454,847           | 10,281,268          | 10,534,964           |
| Prior period adjustments                                     | <u>(11,313)</u>     | <u>0</u>            | <u>0</u>            | <u>0</u>             |
| Fund balance, July 1, as restated                            | <u>8,617,608</u>    | <u>9,454,847</u>    | <u>10,281,268</u>   | <u>10,534,964</u>    |
| Increase (Decrease) in reserve for inventory                 | <u>13,648</u>       | <u>(9,489)</u>      | <u>2,776</u>        | <u>5,848</u>         |
| Fund balance, June 30                                        | <u>\$ 6,653,345</u> | <u>\$ 8,628,921</u> | <u>\$ 9,454,847</u> | <u>\$ 10,281,268</u> |

\* SOURCE—PRIOR YEAR AUDIT  
REPORTS



## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

# Whitfield & Company P.C.

Certified Public Accountants

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Picayune, Mississippi 39466

Member

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Mississippi Society of CPAS

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

Superintendent and School Board  
Pearl River County 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 River County 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 River County School District's basic financial statements and have issued our report thereon dated January 10, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pearl River County 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 the Pearl River County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pearl River County School District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2015-01

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. 2015-02, 2015-03, 2015-04, 2015-05, and 2016-06.

## **Compliance and Other Matters**

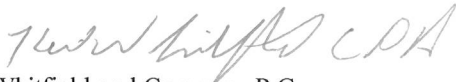
As part of obtaining reasonable assurance about whether the Pearl River County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

### **Pearl River County School District's Response to Finding**

Pearl River County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Pearl River County School District's responses were not subjected to the auditing procedures applied in the audit of the Financial Statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



Whitfield and Company P.C.

Picayune, Mississippi

January 10, 2017

# Whitfield & Company P.C.

*Certified Public Accountants*

2201 Adcox Road

Picayune, Mississippi 39466

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

Superintendent and School Board  
Pearl River County School District

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

We have audited Pearl River County 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 River County School District's major federal programs for the year ended June 30, 2015. Pearl River County 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 River County 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 major federal program occurred. An audit includes examining, on a test basis, evidence about Pearl River County 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 River County School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Pearl River County 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 River County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pearl River County 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 River County 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 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.



Whitfield & Company P.C.  
Picayune, Mississippi  
January 10, 2017

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

# Whitfield & Company P.C.

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Picayune, Mississippi 39466

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

Superintendent and School Board  
Pearl River County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2015, which collectively comprise Pearl River County School District's basic financial statements and have issued our report thereon dated January 10, 2017. 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 *Governmental 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.

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 dark ink, appearing to read "Whitfield and Company P.C.", is written above the printed name.

Whitfield and Company P.C.

January 10, 2017



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

PEARL RIVER COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year ended June 30, 2015

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |    |                                                       |            |
|----|-------------------------------------------------------|------------|
| 1. | Type of auditor's report issued:                      | unmodified |
| 2. | Internal control over financial reporting:            |            |
|    | a. Material weakness (es) identified?                 | Yes        |
|    | b. Significant deficiency (ies) identified?           | Yes        |
| 3. | Noncompliance material to financial statements noted? | No         |

**Federal Awards:**

- |    |                                                                                                                        |               |
|----|------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. | Internal control over major programs:                                                                                  |               |
|    | a. Material weakness (es) identified?                                                                                  | No            |
|    | b. Significant deficiency (ies) identified?                                                                            | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:                                                      | 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:                                                                                      |               |

**CFDA Numbers**

**Name of Federal Program or Cluster**

10.553, 10.555, 10.559

Child Nutrition Cluster

84.010

Title I grants to local educational agencies

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

## **Section 2: Financial Statement Findings**

### **Significant Deficiencies Considered to be Material Weaknesses:**

#### **2015-01 Finding:**

During our testing of cash and the bank reconciliation process, we noted the Payroll Clearing bank account was not properly reconciled to the general ledger. We also noted that for all bank reconciliations prepared, proper documentation regarding reconciling items and outstanding checks were not maintained. Failure to prepare accurate bank reconciliations could lead to misappropriation of assets that go undetected by management.

#### **Recommendation:**

We recommend that all bank accounts be completely reconciled on a monthly basis and that all proper documentation be maintained.

### **Significant Deficiencies Not Considered to be Material Weaknesses:**

#### **2015-02 Finding:**

In the course of our work on reviewing internally prepared journal entries we noted that for two of the six entries selected in our sample, no documentation or support could be provided.

#### **Recommendation:**

We recommend that support and documentation be maintained for all entries made.

#### **2015-03 Finding:**

In the course of our work related to cash receipts, we noted the following that in general receipts are no longer issued for amounts received from federal and state sources. We noted two receipts were missing general ledger codes and also that fourteen receipts issued were coded to incorrect general ledger accounts.

#### **Recommendation:**

We recommend that receipts be issued for all amounts received and that all receipts are carefully coded to reflect the general ledger revenue account classification.

#### **2015-04 Finding:**

In the course of our work related to cash disbursements, we noted that fifteen checks out of our sample paid numerous invoices where there was no indication of approval for payment. We noted that four invoices in our check sample did not show delivery being signed or verified as received. We noted that one invoice in our check sample was requested by, approved by, and paid to the same individual. We noted one purchase order in our check sample was not approved. We noted that effective with the change in software during this fiscal year, invoices are no longer marked as cancelled, and a computer printout "check paid invoice coversheet" is attached to the front instead.

#### **Recommendation:**

We recommend that all invoices be reviewed by a responsible party and authorization to pay should be indicated on the invoice by that individual prior to payment. We recommend delivery tickets be verified and approved to indicate proper receipt. We recommend all requests for funds be approved by an individual other than the one making the request. We recommend that all purchase orders be approved prior to the purchase being made. We recommend all invoices be cancelled upon payment in order to prevent duplicate payment.

**2015-05 Finding:**

In the course of our work we noted that the District was unable to reconcile payroll per the district records to the amounts per the payroll returns (form 941).

**Recommendation:**

We recommend that this issue be reviewed and investigated to determine if errors were present in the payroll returns that were filed.

**2015-06 Finding:**

In the course of our work we noted what appear to be several software errors. Some state report totals did not agree with the general ledger. Monthly general ledger reports didn't contain all year-to-date totals. Several reports requested for cash disbursement testing didn't contain all the necessary information, causing data to have to be gathered and combined from multiple reports.

**Recommendation:**

We recommend these problems be reviewed and if appropriate the District should contact the software vendor to have these issues resolved.

**Section 3: Federal Award Findings and Questioned Costs**

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

## **AUDITEE'S CORRECTIVE ACTION PLAN**

# Pearl River County School District

ALAN LUMPKIN  
Superintendent of Education

7441 Highway 11  
Carriere, Mississippi 39426

THOMAS BURLESON  
Business Administrator

MELISSA HOLSTON  
Assistant Superintendent

(601) 798-7744  
Fax (601) 798-3527

KIMBERLY ALFORD  
Curriculum Coordinator

## AUDITEE'S CORRECTIVE ACTION PLAN

Pearl River County School District respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name & address of independent accounting firm: Whitfield and Company P.C.  
2201 Adcox Road  
Picayune, MS 39466

Audit period: June 30, 2015

The findings from the June 30, 2015 schedule of findings and questioned costs as discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

| <u>Finding</u> | <u>Corrective Action Plan Details</u> |
|----------------|---------------------------------------|
|----------------|---------------------------------------|

2015-01 Finding:

During our testing of cash and the bank reconciliation process, we noted the Payroll Clearing bank account was not properly reconciled to the general ledger. We also noted that for all bank reconciliations prepared, proper documentation regarding reconciling items and outstanding checks were not maintained. Failure to prepare accurate bank reconciliations could lead to misappropriation of assets that go undetected by management.

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson  
Title: Business Administrator

B. Corrective Action Planned:

The District will reconcile all bank statements on a monthly basis and maintain proper documentation such as outstanding check report with each reconciled statement.

C. June 30, 2016

2015-02 Finding:



In the course of our work on reviewing internally prepared journal entries we noted that for two of the six entries selected in our sample, no documentation or support could be provided.

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson  
Title: Business Administrator

B. Corrective Action Planned:

The District will maintain proper documentation with internally prepared journal entries.

C. June 30, 2016

2015-03 Finding:

In the course of our work related to cash receipts, we noted the following that in general receipts are no longer issued for amounts received from federal and state sources. We noted two receipts were missing general ledger codes and also that fourteen receipts issued were coded to incorrect general ledger accounts.

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson  
Title: Business Administrator

B. Corrective Action Planned:

The District will write a receipt for all money received through electronic transfer and carefully code all receipts to the correct general ledger accounts.

C. June 30, 2016

2015-04 Finding:

In the course of our work related to cash disbursements, we noted that fifteen checks out of our sample paid numerous invoices where there was no indication of approval of payment. We noted that four invoices in our check sample did not show delivery being signed or verified as received. We noted that one invoice in our check sample was requested by, approved by, and paid to the same individual. We noted one purchase order in our check sample was not approved. We noted that effective with the change in software during this fiscal year, invoices are no longer marked as cancelled, and a computer printout "check paid invoice coversheet" is attached to the front instead.

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson  
Title: Business Administrator

B. Corrective Action Planned:

The District will review and sign all invoices prior to payment. The District will verify delivery of goods and services prior to payment. The District will have a separate individual approve all requests for funds. The District will approve all purchase orders prior to making a purchase. The District will indicate an invoice as cancelled once payment has been made.

C. June 30, 2016

2015-05 Finding:

In the course of our work we noted that the District was unable to reconcile payroll per the district records to the amounts per the payroll returns (form 941).

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson  
Title: Business Administrator

B. Corrective Action Planned:

The District will investigate to determine if errors were present in the payroll returns that were filed.

C. June 30, 2016

2015-06 Finding:

In the course of our work we noted what appear to be several software errors. Some state report totals did not agree with the general ledger. Monthly general ledger reports didn't contain all year to date total. Several reports requested for cash disbursement testing didn't contain all the necessary information, causing data to have to be gathered and combined from multiple reports.

A. Name of contact person responsible for Corrective Action:

Name: T. J. Burleson  
Title: Business Administrator

B. Corrective Action Planned:

The District will continue to learn more about the software and work with the vendor to correct any discrepancies.

C. June 30, 2016



Alan Lumpkin  
Superintendent of Education