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**PEARL PUBLIC SCHOOL DISTRICT**

Audited Financial Statements  
For the Year Ended June 30, 2016

PEARL PUBLIC SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT**



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## INDEPENDENT AUDITORS' REPORT

Superintendent and School Board  
Pearl Public School District  
Pearl, Mississippi

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise 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.

### ***Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial

INDEPENDENT AUDITORS' REPORT  
CONTINUED

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 6-15, 52, 53 and 54, 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.



INDEPENDENT AUDITORS' REPORT  
CONTINUED

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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.

INDEPENDENT AUDITORS' REPORT  
CONTINUED

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017, on our consideration of the 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 the School District's internal control over financial reporting and compliance.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
Jackson, Mississippi

February 27, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PEARL PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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The following discussion and analysis of Pearl Public School District's (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. 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 2016 decreased \$445,773, including a prior period adjustment of (\$154), which represents a 14,093% decrease from fiscal year 2015. Total net position for 2015 decreased \$33,480,575, including a prior period adjustment of (\$36,383,272), which represents a 100.01% decrease from fiscal year 2014.
- General revenues amounted to \$30,676,084 and \$29,710,174, or 80% and 78% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,491,459, or 20% of total revenues for 2016, and \$8,199,389, or 22% of total revenues for 2015.
- The School District had \$38,613,162 and \$35,006,866 in expenses for fiscal years 2016 and 2015; only \$7,491,459 for 2016 and \$8,199,389 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$30,676,084 for 2016 were not adequate to provide for these programs, while general revenues of \$29,710,174 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$31,323,407 in revenues and \$28,799,107 in expenditures for 2016, and \$30,083,447 in revenues and \$29,338,251 in expenditures in 2015. The General Fund's fund balance increased by \$2,462,957, including a prior period adjustment of (\$154), from 2015 to 2016, and increased by \$1,755,343, including a fund type reclassification of \$61,843, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$193,648 for 2016 and decreased by \$858,096 for 2015. The increase for 2016 was due primarily to the increase in construction in progress for the year.
- Long-term debt, including compensated absences payable, increased by \$22,357,995 for 2016 and decreased by \$1,628,020 for 2015. This increase for 2016 was due to the issuance of \$23,860,000 of general obligation bonds. The liability for compensated absences increased by \$2,995 for 2016 and increased by \$1,635 for 2015.



PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

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## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the School 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 School 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 School District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the School District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the School 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 School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School District include instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities.

### Fund Financial Statements

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

**Governmental funds** – Most of the School 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

PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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



PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

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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, Schedule of the District's Proportionate Share of the Pension Liability, and Schedule of District's Pension Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 \$448,936 as of June 30, 2016.

PEARL PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

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.

Table 1 presents a summary of the School District's net position at June 30, 2016 and June 30, 2015.

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

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 15,958,957	\$ 13,638,568	17.01 %
Restricted assets	23,837,921	320,931	7,327.74 %
Capital assets, net	28,313,360	28,119,712	0.69 %
<b>Total assets</b>	<b>68,110,238</b>	<b>42,079,211</b>	<b>61.86 %</b>
 <b>Deferred outflows of resources</b>	 <b>12,349,301</b>	 <b>4,428,889</b>	 <b>178.84 %</b>
Current liabilities	289,721	238,493	21.48 %
Long-term debt outstanding	29,089,699	5,969,481	387.31 %
Net pension liability	46,698,703	35,200,690	32.66 %
<b>Total liabilities</b>	<b>76,078,123</b>	<b>41,408,664</b>	<b>83.73 %</b>
 <b>Deferred inflows of resources</b>	 <b>4,830,352</b>	 <b>5,102,599</b>	 <b>(5.34) %</b>
 <b>Net position:</b>			
Net investment in capital assets	21,059,853	22,605,642	(6.84) %
Restricted	4,196,652	2,180,242	92.49 %
Unrestricted	(25,705,441)	(24,789,047)	(3.70) %
<b>Total net position</b>	<b>\$ (448,936)</b>	<b>\$ (3,163)</b>	<b>(14,093.36) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (25,705,441)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	39,315,671
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 13,610,230</u>

## PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

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

- Increase in net capital assets in the amount of \$193,648.
- The principal retirement of \$1,505,000 of long-term debt.
- The increase in net pension liability of \$11,498,013.

**Changes in net position**

The School District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$38,167,543 and \$37,909,563, respectively. The total cost of all programs and services was \$38,613,162 for 2016 and \$35,006,866 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

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

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 2,552,316	\$ 3,458,324	(26.20) %
Operating grants and contributions	4,611,123	4,741,065	(2.74) %
Capital Grants and Contributions	328,020	-0-	N/A %
General revenues:			
Property taxes	11,905,728	12,011,069	(0.88) %
Grants and contributions not restricted	18,300,242	17,202,848	6.38 %
Investment earnings	60,916	33,448	82.12 %
Sixteenth section sources	287,217	280,776	2.29 %
Other	121,981	182,033	(32.99) %
<b>Total revenues</b>	<b>38,167,543</b>	<b>37,909,563</b>	<b>0.68 %</b>
<b>Expenses:</b>			
Instruction	18,442,777	17,501,172	5.38 %
Support services	10,271,880	11,478,779	(10.51) %
Non-instructional	3,172,107	3,114,306	1.86 %
Sixteenth section	128,773	36,696	250.92 %
Pension expense	6,407,590	2,645,088	142.24 %
Interest on long-term liabilities	190,035	230,825	(17.67) %
<b>Total expenses</b>	<b>38,613,162</b>	<b>35,006,866</b>	<b>10.30 %</b>
<b>Increase (Decrease) in net position</b>	<b>(445,619)</b>	<b>2,902,697</b>	<b>(115.35) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(3,163)</b>	<b>33,477,412</b>	<b>(100.01) %</b>
<b>Prior Period Adjustment</b>	<b>(154)</b>	<b>(36,383,272)</b>	<b>100.00 %</b>
<b>Net Position, July 1, as restated</b>	<b>(3,317)</b>	<b>(2,905,860)</b>	<b>99.89 %</b>
<b>Net Position, June 30</b>	<b>\$ (448,936)</b>	<b>\$ (3,163)</b>	<b>(14,093.36) %</b>



PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

**Governmental activities**

The following table presents the cost of six major School 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.

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

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 18,442,777	\$ 17,501,172	5.38 %
Support services	10,271,880	11,478,779	(10.51) %
Non-instructional	3,172,107	3,114,306	1.86 %
Sixteenth section	128,773	36,696	250.92 %
Pension Expense	6,407,590	2,645,088	142.24 %
Interest on long-term liabilities	190,035	230,825	(17.67) %
<b>Total expenses</b>	<b>\$ 38,613,162</b>	<b>\$ 35,006,866</b>	<b>10.30 %</b>

  

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (14,133,361)	\$ (13,657,451)	(3.48) %
Support services	(9,330,580)	(9,335,605)	0.05 %
Non-instructional	(931,364)	(901,812)	(3.28) %
Sixteenth section	(128,773)	(36,696)	(250.92) %
Pension Expense	(6,407,590)	(2,645,088)	(142.24) %
Interest on long-term liabilities	(190,035)	(230,825)	17.67 %
<b>Total net (expense) revenue</b>	<b>\$ (31,121,703)</b>	<b>\$ (26,807,477)</b>	<b>(16.09) %</b>

- Net cost of governmental activities [(\$31,121,703) for 2016 and (\$26,807,477) for 2015] was financed by general revenue, which is primarily made up of property taxes (\$11,905,728 for 2016 and \$12,011,069 for 2015) and state and federal revenues (\$18,300,242 for 2016 and \$17,202,848 for 2015). In addition, there was \$287,217 and \$280,776 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$60,916 for 2016 and \$33,448 for 2015.

PEARL PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the School 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 School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$39,577,151, an increase of \$25,802,479, which includes a prior period adjustment of (\$154) and an increase in inventory of \$1,204. \$8,920,297 or 22.5% 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 \$30,656,854 or 77.5% 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 School District. The increase in fund balance in the General Fund for the fiscal year was \$2,462,957, including a prior period adjustment of (\$154). The fund balance of Other Governmental Funds showed an increase in the amount of \$1,916,430, which includes an increase in reserve for inventory of \$1,204. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase</u>
Building Improvement Fund	\$	No change
2016 Bond Fund	\$	21,423,092

**BUDGETARY HIGHLIGHTS**

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

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

PEARL PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2016, the School District's total capital assets were \$49,056,513, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,195,624 from 2015. Total accumulated depreciation as of June 30, 2016, was \$20,743,153, and total depreciation expense for the year was \$1,240,119, resulting in total net capital assets of \$28,313,360.

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

	June 30, 2016	June 30, 2015	Percentage Change
Land	\$ 134,110	\$ 134,110	0.00 %
Construction in progress	802,089	9,420	8,414.75 %
Buildings	24,575,146	25,341,659	(3.02) %
Building improvements	217,201	464,782	(53.27) %
Improvements other than buildings	635,815	433,140	46.79 %
Mobile equipment	962,701	919,826	4.66 %
Furniture and equipment	986,298	816,775	20.76 %
<b>Total</b>	<b>\$ 28,313,360</b>	<b>\$ 28,119,712</b>	<b>0.69 %</b>

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

**Debt Administration.** At June 30, 2016, the School District had \$28,332,183 in outstanding long-term debt, of which \$1,575,000 is due within one year. The liability for compensated absences increased \$2,995 from the prior year.

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

	June 30, 2016	June 30, 2015	Percentage Change
General obligation bonds payable	\$ 28,055,000	\$ 5,700,000	392.19 %
Compensated absences payable	277,183	274,188	1.09 %
<b>Total</b>	<b>\$ 28,332,183</b>	<b>\$ 5,974,188</b>	<b>374.24 %</b>



**PEARL PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION, Continued**

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

**CURRENT ISSUES**

The Pearl Public School District is financially stable. The district is proud of its public schools and the support its community offers.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

FINANCIAL STATEMENTS

**PEARL PUBLIC SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2016**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 14,120,195
Cash with fiscal agents	21,755
Investments	1,038,495
Due from other governments	740,839
Inventories	37,673
Restricted assets	23,837,921
Capital assets, net of accumulated depreciation	28,313,360
<b>Total Assets</b>	<b>68,110,238</b>
<b>Deferred Outflows of Resources</b>	
Pensions	12,213,384
Deferred amount on refunding	135,917
<b>Total deferred inflows of resources</b>	<b>12,349,301</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	219,527
Interest payable on long-term liabilities	69,994
Unearned revenue	200
Long-term liabilities, due within one year:	
Capital related liabilities	1,575,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	26,480,000
Non-capital related liabilities	277,183
Net pension liability	46,698,703
Unamortized bond premium	1,051,173
Unamortized bond discount	(293,657)
<b>Total Liabilities</b>	<b>76,078,123</b>
<b>Deferred Inflows of Resources</b>	
Pensions	4,830,352
<b>Total deferred inflows of resources</b>	<b>4,830,352</b>
<b>Net Position</b>	
Net investment in capital assets	21,059,853
Restricted for:	
Expendable:	
School-based activities	1,483,283
Debt service	2,265,523
Forestry improvements	41,915
Unemployment benefits	85,000
Non-expendable:	
Sixteenth section	320,931
Unrestricted	(25,705,441)
<b>Total Net Position</b>	<b>\$ (448,936)</b>

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

**PEARL PUBLIC SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2016**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 18,442,777	\$ 2,106,124	\$ 2,203,292	\$ -0-	\$ (14,133,361)
Support services	10,271,880	-0-	821,699	119,601	(9,330,580)
Non-instructional	3,172,107	446,192	1,586,132	208,419	(931,364)
Sixteenth section	128,773	-0-	-0-	-0-	(128,773)
Pension expense	6,407,590	-0-	-0-	-0-	(6,407,590)
Interest on long-term liabilities	190,035	-0-	-0-	-0-	(190,035)
Total Governmental Activities	\$ <u>38,613,162</u>	\$ <u>2,552,316</u>	\$ <u>4,611,123</u>	\$ <u>328,020</u>	\$ <u>(31,121,703)</u>

General Revenues:

Taxes:

General purpose levies 10,253,288

Debt purpose levies 1,652,440

Unrestricted grants and contributions:

State 18,188,856

Federal 111,386

Unrestricted investment earnings 60,916

Sixteenth section sources 287,217

Other 121,981

Total General Revenues 30,676,084

Change in Net Position (445,619)

Net Position - Beginning, as previously reported (3,163)

Prior Period Adjustments (154)

Net Position - Beginning, as restated (3,317)

Net Position - Ended \$ (448,936)

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

## PEARL PUBLIC SCHOOL DISTRICT

## Governmental Funds

## Balance Sheet

June 30, 2016

Exhibit C

	Major Funds				
	General Fund	Building Improvement Fund	2016 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 12,158,194	\$ -0-	\$ 21,901,296	\$ 1,804,728	\$ 35,864,218
Cash with fiscal agents	21,755	-0-	-0-	-0-	21,755
Investments	1,038,495	-0-	-0-	2,093,898	3,132,393
Due from other governments	362,540	-0-	-0-	378,299	740,839
Due from other funds	799,884	401,710	-0-	431	1,202,025
Inventories	-0-	-0-	-0-	37,673	37,673
Total Assets	<u>14,380,868</u>	<u>401,710</u>	<u>21,901,296</u>	<u>4,315,029</u>	<u>40,998,903</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	139,909	-0-	76,494	3,124	219,527
Due to other funds	431	401,710	401,710	398,174	1,202,025
Unearned revenue	200	-0-	-0-	-0-	200
Total Liabilities	<u>140,540</u>	<u>401,710</u>	<u>478,204</u>	<u>401,298</u>	<u>1,421,752</u>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory	-0-	-0-	-0-	37,673	37,673
Permanent fund principal	-0-	-0-	-0-	320,931	320,931
<b>Restricted</b>	-0-	-0-	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	2,335,517	2,335,517
Capital improvements	-0-	-0-	21,423,092	-0-	21,423,092
Forestry improvement purposes	-0-	-0-	-0-	41,915	41,915
Grant activities	8,388	-0-	-0-	915,506	923,894
Unemployment benefits	-0-	-0-	-0-	85,000	85,000
<b>Committed</b>	-0-	-0-	-0-	-0-	-0-
Capital improvements	4,967,116	-0-	-0-	-0-	4,967,116
<b>Assigned</b>	-0-	-0-	-0-	-0-	-0-
Student activities	344,527	-0-	-0-	-0-	344,527
Capital improvements	-0-	-0-	-0-	177,189	177,189
<b>Unassigned</b>	8,920,297	-0-	-0-	-0-	8,920,297
Total Fund Balances	<u>14,240,328</u>	<u>-0-</u>	<u>21,423,092</u>	<u>3,913,731</u>	<u>39,577,151</u>
Total Liabilities and Fund Balances	<u>\$ 14,380,868</u>	<u>\$ 401,710</u>	<u>\$ 21,901,296</u>	<u>\$ 4,315,029</u>	<u>\$ 40,998,903</u>

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



## PEARL PUBLIC SCHOOL DISTRICT

**Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2016****Exhibit C-1**

**Total fund balances for governmental funds** \$ 39,577,151

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

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

Land	\$ 134,110	
Construction in progress	802,089	
Buildings	40,191,397	
Building improvements	378,810	
Improvements other than buildings	1,590,655	
Mobile equipment	3,034,946	
Furniture and equipment	2,924,506	
Accumulated depreciation	<u>(20,743,153)</u>	28,313,360

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

Net pension liability (46,698,703)

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

Deferred outflows of resources related to pensions	12,213,384	
Deferred inflows of resources related to pensions	<u>(4,830,352)</u>	(39,315,671)

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 bonds	(28,055,000)	
Compensated absences	(277,183)	
Unamortized bond discount	293,657	
Unamortized deferred amounts on refunding	135,917	
Unamortized bond premiums	(1,051,173)	
Accrued interest payable	<u>(69,994)</u>	<u>(29,023,776)</u>

**Net Position of governmental activities** \$ (448,936)

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

## PEARL PUBLIC SCHOOL DISTRICT

**Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances****Exhibit D****For the Year Ended June 30, 2016**

	Major Funds			Other	Total
	General	Building	2016 Bond	Governmental	Governmental
	Fund	Improvement	Fund	Funds	Funds
<b>Revenues:</b>					
Local sources	\$ 12,515,178	\$ -0-	\$ 6,429	\$ 2,117,167	\$ 14,638,774
State sources	18,409,002	-0-	-0-	675,078	19,084,080
Federal sources	111,386	-0-	-0-	4,043,918	4,155,304
Sixteenth section sources	287,841	-0-	-0-	802	288,643
Total Revenues	<u>31,323,407</u>	<u>-0-</u>	<u>6,429</u>	<u>6,836,965</u>	<u>38,166,801</u>
<b>Expenditures:</b>					
Instruction	18,453,973	-0-	-0-	2,197,414	20,651,387
Support services	9,925,191	-0-	-0-	936,729	10,861,920
Noninstructional services	292,990	-0-	-0-	2,257,299	2,550,289
Sixteenth section	126,953	-0-	-0-	1,820	128,773
Facilities acquisition and construction	-0-	21,980	802,089	-0-	824,069
Debt service:					
Principal	-0-	-0-	-0-	1,505,000	1,505,000
Interest	-0-	-0-	-0-	161,811	161,811
Other	-0-	-0-	-0-	346,200	346,200
Total Expenditures	<u>28,799,107</u>	<u>21,980</u>	<u>802,089</u>	<u>7,406,273</u>	<u>37,029,449</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,524,300</u>	<u>(21,980)</u>	<u>(795,660)</u>	<u>(569,308)</u>	<u>1,137,352</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of general obligation bonds	-0-	-0-	-0-	23,860,000	23,860,000
Premium on bonds	-0-	-0-	-0-	1,093,883	1,093,883
Sale of transportation equipment	7,702	-0-	-0-	-0-	7,702
Sale of other property	-0-	-0-	-0-	742	742
Transfer in to escrow agent	-0-	-0-	-0-	2,093,881	2,093,881
Operating transfers in	133,669	21,980	22,218,752	180,580	22,554,981
Transfer out to escrow agent	-0-	-0-	-0-	(2,093,881)	(2,093,881)
Discount on bonds	-0-	-0-	-0-	(298,250)	(298,250)
Operating transfers out	(202,560)	-0-	-0-	(22,352,421)	(22,554,981)
Total Other Financing Sources (Uses)	<u>(61,189)</u>	<u>21,980</u>	<u>22,218,752</u>	<u>2,484,534</u>	<u>24,664,077</u>
Net Change in Fund Balances	<u>2,463,111</u>	<u>-0-</u>	<u>21,423,092</u>	<u>1,915,226</u>	<u>25,801,429</u>
<b>Fund Balances:</b>					
Balance, July 1, 2015, as previously reported	11,777,371	-0-	-0-	1,997,301	13,774,672
Prior period adjustments	(154)	-0-	-0-	-0-	(154)
July 1, 2015, as restated	<u>11,777,217</u>	<u>-0-</u>	<u>-0-</u>	<u>1,997,301</u>	<u>13,774,518</u>
Increase (Decrease) in reserve for inventory	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,204</u>	<u>1,204</u>
Balance June 30, 2016	<u>\$ 14,240,328</u>	<u>\$ -0-</u>	<u>\$ 21,423,092</u>	<u>\$ 3,913,731</u>	<u>\$ 39,577,151</u>

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

Total Federal Revenues are inclusive of Tennessee Valley Authority (TVA) revenues of \$4,682.

## PEARL PUBLIC SCHOOL DISTRICT

## Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2016

Exhibit D-1

Net change in fund balances - total governmental funds \$ 25,801,429

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,458,150	
Depreciation expense	(1,240,119)	218,031

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.

(24,383)

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	1,505,000	
Issuance of general obligation bonds	(23,860,000)	
Bond Discount	298,250	
Bond Premium	(1,093,883)	
Accrued interest payable	(16,328)	(23,166,961)

3. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:

Pension expense - current year	(6,407,590)	
Deferred outflows - pensions	3,147,542	(3,260,048)

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	(2,995)	
Change in inventory reserve	1,204	
Amortization of bond discounts	(15,765)	
Amortization of deferred amounts on refunding	(45,306)	
Amortization of bond premiums	49,175	(13,687)

## Change in Net Position of governmental activities

\$ (445,619)

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



## PEARL PUBLIC SCHOOL DISTRICT

**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities**  
**June 30, 2016****Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 1,821,981
Total Assets	<u>1,821,981</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,770,582
Due to student clubs	51,399
Total Liabilities	<u>\$ 1,821,981</u>

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

NOTES TO THE FINANCIAL STATEMENTS

# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2016

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

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

#### **A. Financial Reporting Entity**

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

For financial reporting purposes, Pearl Public School District has included all funds and organizations. The School 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 School 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 School 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 School District.

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

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

The Statement of Net Position presents the School District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows 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 PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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## Note 1 – Summary of Significant Accounting Policies, Continued

### B. Government-wide and Fund Financial Statements, Continued

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.

Building Improvement Fund – This is a special revenue fund that accounts for the revenues and related expenditures of locally funded building improvement funds.

2016 Bond Fund – This is a capital projects fund that accounts for the proceeds of the 2016 series of general obligation bonds and the related expenditures of the proceeds.

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

The school district also reports fiduciary funds that reflect assets and liabilities but not the district's net position. The District's fiduciary funds include the following:



# PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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## Note 1 – Summary of Significant Accounting Policies, Continued

### B. Government-wide and Fund Financial Statements, Continued

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

## PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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### Note 1 – Summary of Significant Accounting Policies, Continued

#### 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.



# PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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## Note 1 – Summary of Significant Accounting Policies, Continued

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

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 School District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

### D. Encumbrances

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

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

#### 1. Cash, Cash equivalents and Investments

##### Cash and cash equivalents

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

# PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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## Note 1 – Summary of Significant Accounting Policies, Continued

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

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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



# PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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## Note 1 – Summary of Significant Accounting Policies, Continued

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

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

# PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

## Note 1 – Summary of Significant Accounting Policies, Continued

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

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.

Deferred outflows - Pension Contributions

Deferred outflows - Deferred Amount on Refunding

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

Deferred inflows – Pension Settlements to Plan Members

See Note 12 for further details.

# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

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### Note 1 – Summary of Significant Accounting Policies, Continued

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

##### 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



# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

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### Note 1 – Summary of Significant Accounting Policies, Continued

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

been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order of the school board. The school board committed \$4,967,116 for capital improvements at June 30, 2016, in the General Fund.

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



# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

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### Note 1 – Summary of Significant Accounting Policies, Continued

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

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

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

### Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct

## PEARL PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements, Continued For Year Ended June 30, 2016

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#### **Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments, Continued**

United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds

(Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$35,864,218 and \$1,821,981, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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. 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.

#### **Cash with fiscal agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$21,755.



# PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

## Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments, Continued

### Investments

As of June 30, 2016, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Federal U.S. Treasury Cash Reserve	AAAm	Less than 1 year	\$ 2,093,898
Municipal Money Market Funds	N/A	Less than 1 year	37,122
Government Agency Association Pools	N/A	Less than 1 year	436,273
Corporate Bonds	AA+	Less than 2 years	50,446
	A-	Less than 4 years	40,550
	BBB+	Less than 2 years	42,248
Municipal Bonds	AA	Less than 1 year	50,298
	AA	Less than 4 years	40,898
	AA	Less than 6 years	56,435
U.S. Agency Securities	AA+	1 year	100,252
	AA+	Less than 4 years	40,478
	AA+	Less than 9 years	40,740
	AA+	Less than 10 years	102,755
			<u>\$ 3,132,393</u>

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

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

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

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



# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

### 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

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 431
Building Improvement Fund	General Fund	401,710
2016 Bond Fund	Building Improvement Fund	401,710
Other governmental funds	General Fund	398,174
		<u>\$ 1,202,025</u>

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

#### B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Building Improvement Fund	\$ 21,980
	Other governmental funds	180,580
Other governmental funds	General Fund	133,669
	2016 Bond Fund	22,218,752
		<u>\$ 22,554,981</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds and between other governmental funds and the 2016 Bond Fund.

### Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$320,931, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance, totaling \$2,093,898 of the 2016 Bond Issue Bond Retirement Asset Fund, which is legally restricted for debt service and \$21,423,092 in unspent general obligation bond proceeds in the 2016 Bond Fund. The total of restricted assets is \$23,837,921.

# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

### Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 134,110	\$ -0-	\$ -0-	\$ -0-	\$ 134,110
Construction in progress	9,420	824,069	-0-	(31,400)	802,089
Total non-depreciable capital assets	<u>143,530</u>	<u>824,069</u>	<u>-0-</u>	<u>(31,400)</u>	<u>936,199</u>
Depreciable capital assets:					
Buildings	40,191,397	-0-	-0-	-0-	40,191,397
Building improvements	719,109	-0-	-0-	(340,299)	378,810
Improvements other than buildings	1,218,956	-0-	-0-	371,699	1,590,655
Mobile equipment	3,051,608	225,085	241,747	-0-	3,034,946
Furniture and equipment	2,536,289	408,996	20,779	-0-	2,924,506
Total depreciable capital assets	<u>47,717,359</u>	<u>634,081</u>	<u>262,526</u>	<u>31,400</u>	<u>48,120,314</u>
Less accumulated depreciation for:					
Buildings	14,849,738	766,513	-0-	-0-	15,616,251
Building improvements	254,327	41,092	-0-	(133,810)	161,609
Improvements other than buildings	785,816	35,214	-0-	133,810	954,840
Mobile equipment	2,131,782	158,036	217,573	-0-	2,072,245
Furniture and equipment	1,719,514	239,264	20,570	-0-	1,938,208
Total accumulated depreciation	<u>19,741,177</u>	<u>1,240,119</u>	<u>238,143</u>	<u>-0-</u>	<u>20,743,153</u>
Total depreciable capital assets, net	<u>27,976,182</u>	<u>(606,038)</u>	<u>24,383</u>	<u>31,400</u>	<u>27,377,161</u>
Governmental activities capital assets, net	<u>\$ 28,119,712</u>	<u>\$ 218,031</u>	<u>\$ 24,383</u>	<u>\$ -0-</u>	<u>\$ 28,313,360</u>

The adjustments were necessary to move completed construction projects to the appropriate asset category and to move assets that were formerly leased assets to appropriate categories.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 18,425
Support services	287,710
Non-instructional	933,984
Total depreciation expense	<u>\$ 1,240,119</u>

# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

### Note 5 – Capital Assets, Continued

Construction in progress is composed of the following:

	Spent to June 30, 2016	Remaining Commitment
New Upper Elementary	\$ 784,024	\$ 17,795,506
Northside Classroom Additions	18,065	978,546
	<u>\$ 802,089</u>	<u>\$ 18,774,052</u>

### Note 6 – Long-term Liabilities

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts due within one year
General obligation bond	\$ 5,700,000	\$ 23,860,000	\$ 1,505,000	\$ 28,055,000	\$ 1,575,000
Compensated absences	274,188	2,995		277,183	-0-
Sub total	<u>\$ 5,974,188</u>	<u>\$ 23,862,995</u>	<u>\$ 1,505,000</u>	<u>\$ 28,332,183</u>	<u>\$ 1,575,000</u>
Add: Bond Premium	6,465	1,093,883	49,175	1,051,173	-0-
Less: Bond Discount	(11,172)	(298,250)	(15,765)	(293,657)	-0-
	<u>5,969,481</u>	<u>24,658,628</u>	<u>1,538,410</u>	<u>29,089,699</u>	<u>1,575,000</u>

#### A. General Obligation Bonds

General 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
Refunding series 2010A	2.00 - 3.25%	9-Jan-10	1-Mar-18	\$ 4,140,000	\$ 1,030,000
Refunding series 2010B	2.00-3.00%	16-Dec-10	2-Mar-19	7,210,000	3,165,000
General obligation series	3.00-4.00%	21-Apr-16	1-Apr-39	23,860,000	23,860,000
				<u>\$ 35,210,000</u>	<u>\$ 28,055,000</u>

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, 2016, the amount of outstanding bonded indebtedness was equal to 13.67% of property assessments as of October 1, 2015.



# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

### Note 6 – Long-term Liabilities, Continued

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

General obligation refunding bond issue of January 9, 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 505,000	\$ 32,163	\$ 537,163
2018	525,000	15,750	540,750
Total	<u>\$ 1,030,000</u>	<u>\$ 47,913</u>	<u>\$ 1,077,913</u>

This debt will be retired from the Bond Retirement Fund.

General obligation refunding bond issue of December 16, 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,070,000	\$ 89,600	\$ 1,159,600
2018	1,095,000	62,850	1,157,850
2019	1,000,000	30,000	1,030,000
Total	<u>\$ 3,165,000</u>	<u>\$ 182,450</u>	<u>\$ 3,347,450</u>

This debt will be retired from the Bond Retirement Fund.

General obligation bond issue of April 21, 2016:

Year Ending June 30	Principal	Interest	Total
2017	\$ -0-	\$ 808,999	\$ 808,999
2018	-0-	856,587	856,587
2019	220,000	856,587	1,076,587
2020	830,000	847,787	1,677,787
2021	860,000	814,587	1,674,587
2022-2026	4,795,000	3,586,735	8,381,735
2027-2031	5,680,000	2,701,740	8,381,740
2032-2036	6,780,000	1,601,890	8,381,890
Thereafter	4,695,000	332,500	5,027,500
Total	<u>\$ 23,860,000</u>	<u>\$ 12,407,412</u>	<u>\$ 36,267,412</u>

## PEARL PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements, Continued For Year Ended June 30, 2016

#### Note 6 – Long-term Liabilities, Continued

This debt will be retired from the Bond Retirement Fund.

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,575,000	\$ 930,762	\$ 2,505,762
2018	1,620,000	935,187	2,555,187
2019	1,220,000	886,587	2,106,587
2020	830,000	847,787	1,677,787
2021	860,000	814,587	1,674,587
2022-2026	4,795,000	3,586,735	8,381,735
2027-2031	5,680,000	2,701,740	8,381,740
2032-2036	6,780,000	1,601,890	8,381,890
Thereafter	4,695,000	332,500	5,027,500
Total	\$ 28,055,000	\$ 12,637,775	\$ 40,692,775

#### B. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

#### Note 7 – Defined Benefit Pension Plan

##### General Information about the Pension Plan

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership



## PEARL PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements, Continued For Year Ended June 30, 2016

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#### **Note 7 – Defined Benefit Pension Plan, Continued**

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, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ended June 30, 2016, 2015 and 2014 were \$3,147,542, \$2,972,737 and \$2,786,908, respectively, which equaled the required contributions for each year.

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

At June 30, 2016, the school district reported a liability of \$46,698,703 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.3021 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.0121 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.



# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

### Note 7 – Defined Benefit Pension Plan, Continued

For the year ended June 30, 2016, the District recognized pension expense of \$6,407,590. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,144,881	\$ -0-
Net difference between projected and actual earnings on pension plan investments	-0-	4,830,352
Changes of assumptions	2,941,499	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,979,462	-0-
District contributions subsequent to the measurement date	3,147,542	-0-
Total	<u>\$ 12,213,384</u>	<u>\$ 4,830,352</u>

\$3,147,542 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, 2017. 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	Amount
2017	\$ 1,965,019
2018	1,864,126
2019	657,196
2020	( 250 851)

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

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

## PEARL PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements, Continued For Year Ended June 30, 2016

#### Note 7 – Defined Benefit Pension Plan, Continued

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2016. The experience report is dated May 4, 2015.

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

# PEARL PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

## Note 7 – Defined Benefit Pension Plan, Continued

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 61,553,168	\$ 46,698,703	\$ 34,372,273

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

## Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2017	\$ 299,963
2018	299,963
2019	299,963
2020	299,963
2021	271,504
2002-2026	1,357,520
2027-2031	1,267,808
2032-2036	1,125,433
Thereafter	1,733,956
Total	\$ 6,956,073



## PEARL PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements, Continued For Year Ended June 30, 2016

#### Note 9– Prior Period Adjustments

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

##### Exhibit B – Statement Activities

<u>Explanation</u>	<u>Amount</u>
Reclassification of a prior year asset or liability	\$ <u>(154)</u>
Total	\$ <u>(154)</u>

##### Exhibit D – Statement of Revenue, Expenditures and Changes in Fund Balances

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Reclassification of a prior year asset	\$ <u>(154)</u>
Total		\$ <u>(154)</u>

#### Note 10 – Contingencies

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

Litigation – The School District is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

#### Note 11 – Risk Management

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

# PEARL PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued For Year Ended June 30, 2016

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### **Note 11 – Risk Management, Continued**

#### **Participation in Public Entity Risk Pool**

The School District is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

### **Note 12 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$21,059,853 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and deferred bond premiums. The \$12,349,301 balance of the total deferred outflow of resources at June 30, 2016, will be recognized as an expense and decrease the net investment in capital assets net position over the next 3 years. The \$1,051,173 balance of the deferred bond premiums at June 30, 2016, will be recognized as a decrease in an expense and increase the net investment in capital assets net position over the next 3 years. The unrestricted net position amount of (\$25,705,441) 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 \$3,147,542 resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$9,065,842 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$4,830,352 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

### **Note 13 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through February 27, 2017, and determined that no events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION



**PEARL PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 12,300,231	\$ 12,515,705	\$ 12,515,178	\$ 215,474	\$ (527)
State sources	18,434,247	18,409,003	18,409,002	(25,244)	(1)
Federal sources	60,554	111,386	111,386	50,832	-0-
Sixteenth section sources	300,988	287,841	287,841	(13,147)	-0-
Total Revenues	31,096,020	31,323,935	31,323,407	227,915	(528)
<b>Expenditures:</b>					
Instruction	19,606,334	18,453,973	18,453,973	1,152,361	-0-
Support services	13,442,345	9,925,191	9,925,191	3,517,154	-0-
Noninstructional services	404,296	292,990	292,990	111,306	-0-
Sixteenth section	39,396	126,953	126,953	(87,557)	-0-
Total Expenditures	33,492,371	28,799,107	28,799,107	4,693,264	-0-
Excess (Deficiency) of Revenues over (under) Expenditures	(2,396,351)	2,524,828	2,524,300	4,921,179	(528)
<b>Other Financing Sources (Uses):</b>					
Sale of transportation equipment	-0-	7,702	7,702	7,702	-0-
Operating transfers in	4,719,744	5,592,438	133,669	872,694	(5,458,769)
Operating transfers out	(4,792,376)	(5,661,330)	(202,560)	(868,954)	5,458,770
Total Other Financing Sources (Uses)	(72,632)	(61,190)	(61,189)	11,442	1
Net Change in Fund Balances	(2,468,983)	2,463,638	2,463,111	4,932,621	(527)
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	11,959,857	12,157,913	11,777,371	198,056	(380,542)
Prior period adjustments	-0-	-0-	(154)	-0-	(154)
July 1, 2015, as restated	11,959,857	12,157,913	11,777,217	198,056	(380,696)
June 30, 2016	\$ 9,490,874	\$ 14,621,551	\$ 14,240,328	\$ 5,130,677	\$ (381,223)

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

## PEARL PUBLIC SCHOOL DISTRICT

**Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY****PERS****Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.3021%	0.29%
District's proportionate share of the net pension liability (asset)	\$ 46,698,703	35,200,690
District's covered-employee payroll	18,874,521	17,694,654
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.42%	198.93%
Plan fiduciary net position as a percentage of the total pension liability	62%	67%

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

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

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

PEARL PUBLIC SCHOOL DISTRICT  
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	2016	2015
Contractually required contribution	\$ 3,147,542	\$ 2,972,737
Contributions in relation to the contractually required contribution	3,147,542	2,972,737
Contribution deficiency (excess)	\$ 0	\$ 0
District's covered-employee payroll	\$ 19,984,394	\$ 18,874,521
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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



**PEARL PUBLIC SCHOOL DISTRICT**  
Notes to the Required Supplementary Information

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Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

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

SUPPLEMENTARY INFORMATION

## PEARL PUBLIC SCHOOL DISTRICT

## Supplementary Information

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

## Schedule I

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 414,815
National school lunch program	10.555	1,306,287
National school lunch program - donated commodities	10.555	142,851
Total child nutrition cluster		<u>1,863,953</u>
Total passed-through Mississippi Department of Education		<u>1,863,953</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,863,953</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	104,207
<b>Total U.S. Department of Defense</b>		<u>104,207</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	90,072
<b>Total Federal Communications Commission</b>		<u>90,072</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	881,040
Career and technical education - basic grants to states	84.048	43,030
English language acquisition grants	84.365	23,825
Improving teacher quality-State Grants	84.367	174,899
Subtotal		<u>1,122,794</u>
Special education cluster:		
Special education - grants to states	84.027	919,392
Special education - preschool grants	84.173	33,572
Total special education cluster		<u>952,964</u>
Total passed-through Mississippi Department of Education		<u>2,075,758</u>
<b>Total U.S. Department of Education</b>		<u>2,075,758</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	16,452
Total passed-through Mississippi Department of Education		<u>16,452</u>
Total for All Federal Awards		<u>\$ 4,150,442</u>

The accompanying notes are an integral part of this schedule.



**PEARL PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 1. - Schedule of Expenditures of Federal Awards:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal award programs of **Jackson Public School District (the School District)** that were received directly from Federal agencies or passed through other entities.

**The School District** has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Uniform Guidance stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each Federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

**NOTE 2. - Basis of Presentation:**

The Schedule includes the federal grant activity of **the School District** and is presented on the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. – The expenditure amounts include transfers out.**

**NOTE 4. – The pass-through entities did not assign identifying numbers to the School District**

**NOTE 5. – See Exhibit D for additional notes**

PEARL PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

Schedule II

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 27,169,975	\$ 20,555,491	\$ 1,454,693	\$ 1,954,973	\$ 3,204,818
Other	9,859,474	2,222,149	322,359	34,167	7,280,799
Total	\$ 37,029,449	22,777,640	1,777,052	1,989,140	10,485,617
Total number of students *	4,198				
Cost per student	\$ 8,821	\$ 5,426	\$ 423	\$ 474	\$ 2,498

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

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

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

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

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

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

**OTHER INFORMATION**



## PEARL PUBLIC SCHOOL DISTRICT

## Other Information

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

Schedule III

## General Fund

## Last Four Years

## UNAUDITED

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 12,515,178	\$ 12,372,104	\$ 11,487,610	\$ 11,032,124
State sources	18,409,002	17,337,052	16,169,719	15,036,409
Federal sources	111,386	93,515	72,367	102,056
Sixteenth section sources	287,841	280,776	-0-	-0-
Total Revenues	<u>31,323,407</u>	<u>30,083,447</u>	<u>27,729,696</u>	<u>26,170,589</u>
<b>Expenditures:</b>				
Instruction	18,453,973	17,502,821	16,511,691	15,676,525
Support services	9,925,191	11,379,297	12,511,971	9,845,838
Noninstructional services	292,990	243,264	215,811	235,416
Sixteenth section	126,953	36,696	-0-	-0-
Debt service:				
Principal	-0-	174,655	452,318	435,739
Interest	-0-	1,518	15,748	32,327
Total Expenditures	<u>28,799,107</u>	<u>29,338,251</u>	<u>29,707,539</u>	<u>26,225,845</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,524,300</u>	<u>745,196</u>	<u>(1,977,843)</u>	<u>(55,256)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recovery	-0-	1,212,428	1,355,228	1,796,088
Sale of transportation equipment	7,702	-0-	3,154	2,001
Sale of other property	-0-	-0-	-0-	513
Operating transfers in	133,669	96,209	385,693	504,157
Operating transfers out	(202,560)	(360,333)	(240,169)	(179,173)
Total Other Financing Sources (Uses)	<u>(61,189)</u>	<u>948,304</u>	<u>1,503,906</u>	<u>2,123,586</u>
Net Change in Fund Balances	<u>2,463,111</u>	<u>1,693,500</u>	<u>(473,937)</u>	<u>2,068,330</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	11,777,371	10,022,028	10,495,965	8,427,635
Prior period adjustments	(154)	61,843	-0-	-0-
Beginning of period, as restated	<u>11,777,217</u>	<u>10,083,871</u>	<u>10,495,965</u>	<u>8,427,635</u>
End of Period	<u>\$ 14,240,328</u>	<u>\$ 11,777,371</u>	<u>\$ 10,022,028</u>	<u>\$ 10,495,965</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## PEARL PUBLIC SCHOOL DISTRICT

## Other Information

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

## Schedule IV

## All Governmental Funds

## Last Four Years

## UNAUDITED

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 14,638,774	\$ 14,471,702	\$ 13,530,416	\$ 13,082,379
State sources	19,084,080	18,026,734	16,765,408	15,814,637
Federal sources	4,155,304	3,917,091	3,975,826	3,936,085
Sixteenth section sources	288,643	281,606	284,893	281,971
Total Revenues	<u>38,166,801</u>	<u>36,697,133</u>	<u>34,556,543</u>	<u>33,115,072</u>
<b>Expenditures:</b>				
Instruction	20,651,387	19,543,586	18,426,343	17,679,560
Support services	10,861,920	12,208,609	13,462,709	10,636,774
Noninstructional services	2,550,289	2,311,283	2,289,417	2,316,704
Sixteenth section	128,773	36,696	66,983	33,036
Facilities acquisition and construction	824,069	143,114	75,300	692,051
Debt service:				
Principal	1,505,000	1,629,655	2,022,318	1,945,739
Interest	161,811	194,781	242,930	293,857
Other	346,200	3,100	3,625	4,250
Total Expenditures	<u>37,029,449</u>	<u>36,070,824</u>	<u>36,589,625</u>	<u>33,601,971</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,137,352</u>	<u>626,309</u>	<u>(2,033,082)</u>	<u>(486,899)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recovery	-0-	1,212,428	1,355,228	1,796,088
Proceeds of general obligation bonds	23,860,000	-0-	-0-	-0-
Premium on bonds	1,093,883	-0-	-0-	-0-
Sale of transportation equipment	7,702	-0-	3,154	2,001
Sale of other property	742	-0-	-0-	513
Transfer in to escrow agent	2,093,881	-0-	-0-	-0-
Operating transfers in	22,554,981	456,542	625,862	683,330
Transfer out to escrow agent	(2,093,881)	-0-	-0-	-0-
Discount on bonds	(298,250)	-0-	-0-	-0-
Operating transfers out	(22,554,981)	(456,542)	(625,862)	(683,330)
Total Other Financing Sources (Uses)	<u>24,664,077</u>	<u>1,212,428</u>	<u>1,358,382</u>	<u>1,798,602</u>
Net Change in Fund Balances	<u>25,801,429</u>	<u>1,838,737</u>	<u>(674,700)</u>	<u>1,311,703</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	13,774,672	11,933,505	12,608,749	11,312,306
Prior period adjustments	(154)	-0-	-0-	-0-
Beginning of period, as restated	<u>13,774,518</u>	<u>11,933,505</u>	<u>12,608,749</u>	<u>11,312,306</u>
Increase (Decrease) in reserve for inventory	<u>1,204</u>	<u>2,430</u>	<u>(544)</u>	<u>(15,260)</u>
End of Period	<u>\$ 39,577,151</u>	<u>13,774,672</u>	<u>11,933,505</u>	<u>12,608,749</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE





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Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

(Retired)  
Michael B. Bruno, CPA (2011)

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

Superintendent and School Board  
Pearl Public School District  
Pearl, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl Public School District, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise Pearl Public School District's basic financial statements, and have issued our report thereon dated February 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pearl Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearl Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pearl Public School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

INDEPENDENT AUDITORS' 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  
CONTINUED

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pearl Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
Jackson, Mississippi

February 27, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Superintendent and School Board  
Pearl Public School District  
Pearl, Mississippi

**Report on Compliance for Major Federal Program**

We have audited Pearl Public School District compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on Pearl Public School District's major federal program for the year ended June 30, 2016. Pearl Public School District's major federal program is identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and terms and conditions of its federal awards applicable to its federal program.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Pearl Public School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pearl Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE  
CONTINUED

**Opinion on Major Federal Program**

In our opinion, Pearl Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE  
CONTINUED

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
Jackson, Mississippi

February 27, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**



INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Pearl Public School District  
Pearl, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2016, which collectively comprise Pearl Public School District's basic financial statements and have issued our report thereon dated February 27, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The School District reported a zero balance of 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.

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS  
CONTINUED

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.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
Jackson, Mississippi

February 27, 2017

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**PEARL PUBLIC SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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**Section I: Summary of Auditors' Results**

Financial Statements:

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

Federal Awards:

- |   |   |
|---|---|
| 4. Internal control over major programs:  |   |
| a. Material weaknesses identified?  | No  |
| b. Significant deficiencies identified?   | None reported   |
| 5. Type of auditors' report issued on compliance for major programs:                                  | Unmodified  |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No  |
| 7. Identification of major programs:  |   |
| <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u>                           |
| 84.027; 84.173  | Special Education Cluster   |
| 8. Dollar threshold used to distinguish between type A and type B programs:                           | \$750,000   |
| 9. Auditee qualified as low-risk auditee  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

**PEARL PUBLIC SCHOOL DISTRICT**  
Status of Prior Year Audit Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2016

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**Section II: Financial Statement Findings**

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

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

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

**PEARL PUBLIC SCHOOL DISTRICT**  
Status of Prior Year Audit Findings and Questioned Costs  
For the Year Ended June 30, 2016

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**Section II: Financial Statement Findings**

None reported

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

None reported