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Audited Financial Statements  
For the Year Ended June 30, 2016

**Fortenberry & Ballard, PC**  
Certified Public Accountants

# Pearl River County School District

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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Pearl River County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pearl River County School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County 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 District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions on pages 8 to 16 and 53 to 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl River County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2017, on our consideration of the Pearl River County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearl River County School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
April 18, 2017

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Pearl River County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$208,756, including a prior period adjustment of (\$16,532), which represents a 2% decrease from fiscal year 2015. Total net position for 2015 decreased \$28,455,551, including prior period adjustments of (\$29,505,170) due primarily to the recording of the net pension liability, which represents a 158% decrease from fiscal year 2014.
- General revenues amounted to \$21,769,693 and \$20,161,058, or 83% and 83% 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 \$4,486,500, or 17% of total revenues for 2016, and \$4,158,411, or 17% of total revenues for 2015.
- The District had \$26,448,417 and \$23,269,850 in expenses for fiscal years 2016 and 2015; only \$4,486,500 for 2016 and \$4,158,411 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,769,693 for 2016 were not adequate to provide for these programs. However, general revenues of \$20,161,058 for 2015 were adequate to provide for these programs in 2015.
- Among major funds, the General Fund had \$21,481,749 in revenues and \$21,577,724 in expenditures for 2016, and \$19,869,766 in revenues and \$20,269,124 in expenditures in 2015. The General Fund's fund balance decreased by \$529,358 from 2015 to 2016, including a prior period adjustment of (\$632), and decreased by \$305,261 from 2014 to 2015, including a fund reclassification of \$567,890 and a prior period adjustment of (\$11,313).
- Capital assets, net of accumulated depreciation, increased by \$411,339 for 2016 and decreased by \$346,519 for 2015. The increase for 2016 was due primarily to the completion of improvements and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year.
- Total long-term debt, excluding bond premium, decreased by \$823,890 for 2016 and decreased by \$1,729,603 for 2015. The decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$19,409 for 2016 and increased by \$49,344 for 2015.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

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

The Statement of Net Position presents information on all the 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 District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

### **Fund Financial Statements**

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

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

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

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

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

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial

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

statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

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

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District 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.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,637,302 as of 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 District's net position at June 30, 2016 and June 30, 2015.

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

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 5,888,980	\$ 6,535,236	(9.89) %	\$ -	\$ 6,792	(100.00) %
Restricted assets	524,054	519,090	0.96 %	-	-	N/A %
Capital assets, net	14,098,551	13,687,212	3.01 %	-	-	N/A %
<b>Total assets</b>	<b>20,511,585</b>	<b>20,741,538</b>	<b>(1.11) %</b>	<b>-</b>	<b>6,792</b>	<b>(100.00) %</b>
<b>Deferred outflows of resources</b>	<b>8,080,888</b>	<b>2,608,548</b>	<b>209.78 %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
Current liabilities	293,073	425,228	(31.08) %	-	-	N/A %
Long-term debt outstanding	2,110,939	2,935,169	(28.08) %	-	-	N/A %
Net pension liability	34,327,488	23,981,987	43.14 %	-	-	N/A %
<b>Total liabilities</b>	<b>36,731,500</b>	<b>27,342,384</b>	<b>34.34 %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Deferred inflows of resources</b>	<b>2,498,275</b>	<b>6,443,040</b>	<b>(61.23) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>						
Net investment in capital assets	12,916,059	11,764,194	9.79 %	-	-	N/A %
Restricted	1,488,107	1,465,683	1.53 %	-	6,792	(100.00) %
Unrestricted	(25,041,468)	(23,665,215)	5.82 %	-	-	N/A %
<b>Total net position (deficit)</b>	<b>\$ (10,637,302)</b>	<b>\$ (10,435,338)</b>	<b>1.94 %</b>	<b>\$ -</b>	<b>\$ 6,792</b>	<b>(100.00) %</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)	\$ (25,041,468)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	28,781,400
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,739,932</u>

PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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 \$411,339.
- The principal retirement of \$804,481 of long-term debt.
- Recognition of the net pension liability in the amount of \$34,327,488.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$26,256,193 and \$24,319,469, respectively. The total cost of all programs and services was \$26,448,417 for 2016 and \$23,269,850 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>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Percentage Change</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Percentage Change</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 957,611	\$ 799,334	19.80 %	\$ 41,845	\$ 43,295	(3.35) %
Operating grants and contributions	3,487,044	3,315,782	5.17 %	-	-	N/A %
General revenues:						
Property taxes	5,623,571	5,595,983	0.49 %	-	-	N/A %
Grants and contributions not restricted	15,486,456	14,326,877	8.09 %	-	-	N/A %
Investment earnings	32,586	12,118	168.91 %	-	-	N/A %
Sixteenth section sources	219,613	59,360	269.97 %	-	-	N/A %
Other	407,467	166,720	144.40 %	-	-	N/A %
<b>Total revenues</b>	<b>26,214,348</b>	<b>24,276,174</b>	<b>7.98 %</b>	<b>41,845</b>	<b>43,295</b>	<b>(3.35) %</b>
<b>Expenses:</b>						
Instruction	12,659,125	12,196,628	3.79 %	-	-	N/A %
Support services	9,128,361	8,955,438	1.93 %	-	-	N/A %
Non-instructional	1,400,449	1,364,579	2.63 %	-	-	N/A %
Sixteenth section	36,280	39,840	(8.94) %	-	-	N/A %
Pension expense	3,081,337	557,058	453.14 %	-	-	N/A %
Interest on long-term liabilities	94,228	119,804	(21.35) %	-	-	N/A %
Early Childhood Development	-	-	N/A %	48,637	36,503	33.24 %
<b>Total expenses</b>	<b>26,399,780</b>	<b>23,233,347</b>	<b>13.63 %</b>	<b>48,637</b>	<b>36,503</b>	<b>33.24 %</b>
<b>Increase (Decrease) in net position</b>	<b>(185,432)</b>	<b>1,042,827</b>	<b>(117.78) %</b>	<b>(6,792)</b>	<b>6,792</b>	<b>(200.00) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(10,435,338)</b>	<b>18,027,005</b>	<b>(157.89) %</b>	<b>6,792</b>	<b>-</b>	<b>N/A %</b>
<b>Prior Period Adjustment</b>	<b>(16,532)</b>	<b>(29,505,170)</b>	<b>(99.94) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position, July 1, as restated</b>	<b>(10,451,870)</b>	<b>(11,478,165)</b>	<b>(8.94) %</b>	<b>6,792</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position (deficit), June 30</b>	<b>\$ (10,637,302)</b>	<b>\$ (10,435,338)</b>	<b>1.94 %</b>	<b>\$ -</b>	<b>\$ 6,792</b>	<b>(100.00) %</b>

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

**Governmental activities**

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

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

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Instruction	\$ 12,659,125	\$ 12,196,628	3.79 %
Support services	9,128,361	8,955,438	1.93 %
Non-instructional	1,400,449	1,364,579	2.63 %
Sixteenth section	36,280	39,840	(8.94) %
Pension Expense	3,081,337	557,058	453.14 %
Interest on long-term liabilities	94,228	119,804	(21.35) %
<b>Total expenses</b>	<b>\$ 26,399,780</b>	<b>\$ 23,233,347</b>	<b>13.63 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Instruction	\$ (10,803,950)	\$ (10,412,913)	(3.76) %
Support services	(7,990,256)	(7,969,189)	(0.26) %
Non-instructional	28,715	(19,427)	247.81 %
Sixteenth section	(14,069)	(39,840)	64.69 %
Pension Expense	(3,081,337)	(557,058)	(453.14) %
Interest on long-term liabilities	(94,228)	(119,804)	21.35 %
<b>Total net (expense) revenue</b>	<b>\$ (21,955,125)</b>	<b>\$ (19,118,231)</b>	<b>(14.84) %</b>

- Net cost of governmental activities (\$21,955,125 for 2016 and \$19,118,231 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$5,623,571 for 2016 and \$5,595,983 for 2015) and state and federal revenues (\$15,486,456 for 2016 and \$14,326,877 for 2015). In addition, there was \$219,613 and \$59,360 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$32,586 for 2016 and \$12,118 for 2015.

**Business-type activities**

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

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

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>	
Early Childhood Development	\$ 48,637	\$ 36,503	33.24 %
<b>Total expenses</b>	<b>\$ 48,637</b>	<b>\$ 36,503</b>	<b>33.24 %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>	
Early Childhood Development	\$ (6,792)	\$ 6,792	(200.00) %
<b>Total net (expense) revenue</b>	<b>\$ (6,792)</b>	<b>\$ 6,792</b>	<b>(200.00) %</b>

- Net cost of business-type activities (\$6,792 net expense for 2016 and \$6,792 net revenue for 2015) was financed by charges for services, which includes tuition from individuals (\$41,845 for 2016 and \$43,295 for 2015).

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,135,328, a decrease of \$518,017, which includes a prior period adjustment of (\$927) and an increase in inventory of \$5,477. \$4,512,987, or 74% 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, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,622,341, or 26% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$529,358, which includes a prior period adjustment of (\$632). The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,043, which includes a prior period adjustment of (\$295) and an increase in inventory of \$5,477. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
1997 Bond Issue Retirement Fund	\$ 13,384

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

As the District completed the year, the proprietary fund reported a cash and cash equivalent balance of \$0 on the Statement of Net Position for the proprietary fund. Expenses related to the operation of the



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

Early Childhood Development Center totaled \$48,637 and were funded by tuition paid by individuals in the amount of \$41,845 and beginning net position in the amount of \$6,792.

### BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2016, the District's total capital assets were \$24,112,888, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,060,913 from 2015, due primarily to the completion of improvements other than buildings and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2016, was \$10,014,337, and total depreciation expense for the year was \$698,314, resulting in total net capital assets of \$14,098,551.

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

	June 30, 2016	June 30, 2015	Percentage Change
Land	\$ 759,736	\$ 759,736	0.00 %
Construction in Progress	-	118,151	(100.00) %
Buildings	10,014,416	10,310,128	(2.87) %
Building improvements	1,014,351	1,103,799	(8.10) %
Improvements other than buildings	1,120,766	333,021	236.55 %
Mobile equipment	1,045,729	952,785	9.75 %
Furniture and equipment	143,553	109,592	30.99 %
<b>Total</b>	<b>\$ 14,098,551</b>	<b>\$ 13,687,212</b>	<b>3.01 %</b>

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

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

**Debt Administration.** At June 30, 2016, the District had \$2,109,922 in outstanding long-term debt, excluding bond premium, of which \$839,537 is due within one year. During the fiscal year, the District made principal payments totaling \$804,481 on outstanding long-term debt. The liability for compensated absences decreased \$19,409 from the prior year.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 735,000	\$ 1,095,000	(32.88) %
Limited obligation bonds payable	358,000	628,000	(42.99) %
Three mill notes payable	125,000	248,000	(49.60) %
Obligations under energy efficiency leases	762,448	813,929	(6.32) %
Compensated absences payable	129,474	148,883	(13.04) %
<b>Total</b>	<b><u>\$ 2,109,922</u></b>	<b><u>\$ 2,933,812</u></b>	<b><u>(28.08) %</u></b>

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

## **CURRENT ISSUES**

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

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

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

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

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

## FINANCIAL STATEMENTS

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

**Exhibit A**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,999,926	\$ -	\$ 3,999,926
Due from other governments	1,806,520	-	1,806,520
Other receivables, net	100	-	100
Inventories	80,231	-	80,231
Prepaid items	2,203	-	2,203
Restricted assets	524,054	-	524,054
Capital assets, non-depreciable:			
Land	759,736	-	759,736
Capital assets, net of accumulated depreciation:			
Buildings	10,014,416	-	10,014,416
Building improvements	1,014,351	-	1,014,351
Improvements other than buildings	1,120,766	-	1,120,766
Mobile equipment	1,045,729	-	1,045,729
Furniture and equipment	143,553	-	143,553
Total Assets	<u>20,511,585</u>	<u>-</u>	<u>20,511,585</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflow from advance refunding of debt	36,525	-	36,525
Deferred outflow related to pensions	8,044,363	-	8,044,363
Total Deferred Outflows of Resources	<u>8,080,888</u>	<u>-</u>	<u>8,080,888</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	214,264	-	214,264
Due to other governments	63,403	-	63,403
Unearned revenue	39	-	39
Interest payable on long-term liabilities	15,367	-	15,367
Long-term liabilities, due within one year:			
Capital related liabilities	780,000	-	780,000
Non-capital related liabilities	59,537	-	59,537
Long-term liabilities, due beyond one year:			
Capital related liabilities	438,000	-	438,000
Capital related bond premium	1,017	-	1,017
Non-capital related liabilities	832,385	-	832,385
Net pension liability	34,327,488	-	34,327,488
Total Liabilities	<u>36,731,500</u>	<u>-</u>	<u>36,731,500</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to pensions	2,498,275	-	2,498,275
Total Deferred Inflows of Resources	<u>2,498,275</u>	<u>-</u>	<u>2,498,275</u>
<b>Net Position</b>			
Net investment in capital assets	12,916,059	-	12,916,059
Restricted for:			
Expendable:			
School-based activities	461,381	-	461,381
Debt service	480,632	-	480,632
Forestry improvements	119,182	-	119,182
Unemployment benefits	48,777	-	48,777
Non-expendable:			
Sixteenth section	378,135	-	378,135
Unrestricted	(25,041,468)	-	(25,041,468)
Total Net Position (deficit)	<u>\$ (10,637,302)</u>	<u>\$ -</u>	<u>\$ (10,637,302)</u>

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

Statement of Activities  
For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction	\$ 12,659,125	\$ 521,140	\$ 1,334,035	\$ (10,803,950)	\$ -	\$ (10,803,950)
Support services	9,128,361	82,096	1,056,009	(7,990,256)	-	(7,990,256)
Non-instructional	1,400,449	332,164	1,097,000	28,715	-	28,715
Sixteenth section	36,280	22,211	-	(14,069)	-	(14,069)
Pension expense	3,081,337	-	-	(3,081,337)	-	(3,081,337)
Interest on long-term liabilities	94,228	-	-	(94,228)	-	(94,228)
Total Governmental Activities	26,399,780	957,611	3,487,044	(21,955,125)	-	(21,955,125)
Business-type Activities:						
Early Education Center	48,637	41,845	-	-	(6,792)	(6,792)
Total Business-type Activities	48,637	41,845	-	-	(6,792)	(6,792)
Total Primary Government	\$ 26,448,417	\$ 999,456	\$ 3,487,044	\$ (21,955,125)	\$ (6,792)	\$ (21,961,917)
General Revenues:						
Taxes:						
General purpose levies				5,070,567	-	5,070,567
Debt purpose levies				553,004	-	553,004
Unrestricted grants and contributions:						
State				15,157,451	-	15,157,451
Federal				329,005	-	329,005
Unrestricted investment earnings				32,586	-	32,586
Sixteenth section sources				219,613	-	219,613
Other				407,467	-	407,467
Total General Revenues				21,769,693	-	21,769,693
Change in Net Position				(185,432)	(6,792)	(192,224)
Net Position (deficit) - Beginning, as previously reported				(10,435,338)	6,792	(10,428,546)
Prior Period Adjustments				(16,532)	-	(16,532)
Net Position (deficit) - Beginning, as restated				(10,451,870)	6,792	(10,445,078)
Net Position (deficit) - Ending				\$ (10,637,302)	\$ -	\$ (10,637,302)

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Exhibit C**

**Balance Sheet**  
**June 30, 2016**

	Major Funds						Total Governmental Funds
	General Fund	Title I-A Basic Fund	EHA Part B Fund	1997 Bond Issue Retirement Fund	Other Governmental Funds		
<b>Assets</b>							
Cash and cash equivalents	\$ 3,051,581	\$ -	\$ -	\$ 238,731	\$ 1,087,749	\$	4,378,061
Cash with fiscal agents	-	-	-	-	145,919		145,919
Due from other governments	568,259	258,975	543,738	17,870	311,095		1,699,937
Other receivables, net	100	-	-	-	-		100
Due from other funds	1,230,755	-	-	-	1,783		1,232,538
Inventories	-	-	-	-	80,231		80,231
Prepaid items	2,203	-	-	-	-		2,203
Total Assets	<u>\$ 4,852,898</u>	<u>\$ 258,975</u>	<u>\$ 543,738</u>	<u>\$ 256,601</u>	<u>\$ 1,626,777</u>	<u>\$</u>	<u>7,538,989</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 155,465	\$ 482	\$ 267	\$ -	\$ 58,050	\$	214,264
Due to other funds	63,376	258,493	543,471	170,000	154,018		1,189,358
Unavailable revenue - federal programs	-	-	-	-	39		39
Total Liabilities	<u>218,841</u>	<u>258,975</u>	<u>543,738</u>	<u>170,000</u>	<u>212,107</u>		<u>1,403,661</u>
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	-	-	-	-	80,231		80,231
Permanent fund principal	-	-	-	-	378,135		378,135
Prepaid items	2,203	-	-	-	-		2,203
<b>Restricted:</b>							
Debt service	-	-	-	86,601	409,398		495,999
Forestry improvement purposes	-	-	-	-	119,182		119,182
Grant activities	-	-	-	-	68,422		68,422
Unemployment benefits	-	-	-	-	48,777		48,777
Child nutrition	-	-	-	-	310,525		310,525
<b>Assigned:</b>							
Activity funds	118,867	-	-	-	-		118,867
<b>Unassigned</b>	<u>4,512,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>4,512,987</u>
Total Fund Balances	<u>4,634,057</u>	<u>-</u>	<u>-</u>	<u>86,601</u>	<u>1,414,670</u>		<u>6,135,328</u>
Total Liabilities and Fund Balances	<u>\$ 4,852,898</u>	<u>\$ 258,975</u>	<u>\$ 543,738</u>	<u>\$ 256,601</u>	<u>\$ 1,626,777</u>	<u>\$</u>	<u>7,538,989</u>

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

## PEARL RIVER COUNTY 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 \$ 6,135,328

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

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

Land	\$ 759,736	
Buildings	15,140,978	
Building improvements	2,305,225	
Improvements other than buildings	1,686,081	
Mobile equipment	3,294,213	
Furniture and equipment	926,655	
Accumulated depreciation	<u>(10,014,337)</u>	14,098,551

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

Net pension liability	(34,327,488)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	8,044,363	
Deferred inflows of resources related to pensions	<u>(2,498,275)</u>	(28,781,400)

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

General obligation refunding bonds	(735,000)	
Limited obligation bonds	(358,000)	
Notes payable	(125,000)	
Energy efficiency lease obligations	(762,448)	
Compensated absences	(129,474)	
Unamortized charges	36,525	
Unamortized premiums	(1,017)	
Accrued interest payable	<u>(15,367)</u>	(2,089,781)

Net Position of governmental activities

\$ (10,637,302)

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Exhibit D**

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

	Major Funds					Total
	General Fund	Title I-A Basic Fund	EHA Part B Fund	1997 Bond Issue Retirement Fund	Other Governmental Funds	Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 5,955,283	\$ -	\$ -	\$ 416,696	\$ 539,250	\$ 6,911,229
State sources	14,988,540	-	-	-	700,047	15,688,587
Federal sources	319,237	977,854	549,510	-	1,438,312	3,284,913
Sixteenth section sources	218,689	-	-	-	27,659	246,348
<b>Total Revenues</b>	<b>21,481,749</b>	<b>977,854</b>	<b>549,510</b>	<b>416,696</b>	<b>2,705,268</b>	<b>26,131,077</b>
<b>Expenditures:</b>						
Instruction	12,122,963	471,058	262,865	-	882,610	13,739,496
Support services	8,616,746	476,353	286,645	-	493,821	9,873,565
Noninstructional services	-	30,443	-	-	1,419,860	1,450,303
Sixteenth section	20,427	-	-	-	15,853	36,280
Facilities acquisition and construction	742,156	-	-	-	-	742,156
Debt service:						
Principal	51,481	-	-	360,000	393,000	804,481
Interest	23,951	-	-	41,062	22,021	87,034
Other	-	-	-	2,250	1,350	3,600
<b>Total Expenditures</b>	<b>21,577,724</b>	<b>977,854</b>	<b>549,510</b>	<b>403,312</b>	<b>3,228,515</b>	<b>26,736,915</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(95,975)	-	-	13,384	(523,247)	(605,838)
<b>Other Financing Sources (Uses):</b>						
Insurance recovery	82,096	-	-	-	-	82,096
Sale of other property	725	-	-	-	450	1,175
Operating transfers in	9,120	-	-	-	524,785	533,905
Operating transfers out	(524,692)	-	-	-	(9,213)	(533,905)
<b>Total Other Financing Sources (Uses)</b>	<b>(432,751)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>516,022</b>	<b>83,271</b>
<b>Net Change in Fund Balances</b>	<b>(528,726)</b>	<b>-</b>	<b>-</b>	<b>13,384</b>	<b>(7,225)</b>	<b>(522,567)</b>
<b>Fund Balances:</b>						
July 1, 2015, as previously reported	5,163,415	-	-	73,217	1,416,713	6,653,345
Prior period adjustments	(632)	-	-	-	(295)	(927)
July 1, 2015, as restated	5,162,783	-	-	73,217	1,416,418	6,652,418
Increase (Decrease) in inventory	-	-	-	-	5,477	5,477
<b>June 30, 2016</b>	<b>\$ 4,634,057</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,601</b>	<b>\$ 1,414,670</b>	<b>\$ 6,135,328</b>

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



## PEARL RIVER COUNTY 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** \$ (522,567)

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	\$ 1,125,733	
Depreciation expense	<u>(698,314)</u>	427,419

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. (475)

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	804,481	
Accrued interest payable	<u>8,880</u>	813,361

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

Recording of pension expense for the current period	(3,081,337)	
Recording of contributions made subsequent to the measurement date	<u>2,165,755</u>	(915,582)

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	19,409	
Change in inventory	5,477	
Amortization of deferred charges, premiums and discounts	<u>(12,474)</u>	12,412

**Change in Net Position of governmental activities** \$ (185,432)

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

Statement of Net Position  
June 30, 2016

Exhibit E

	Business-type Activities - Enterprise Fund	
		Early Childhood Development Center
<b>Assets</b>		
Cash and cash equivalents	\$	-
Capital assets, net of accumulated depreciation		-
Total Assets		-
<b>Liabilities</b>		
Accounts payable and accrued liabilities		-
Total Liabilities		-
<b>Net Position</b>		
Net investment in capital assets		-
Restricted for Early Childhood Development		-
Total Net Position	\$	-

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2016

Exhibit F

	Business-type Activities - Enterprise Fund
	Early Childhood Development Center
Operating revenues:	
Charges for services - tuition	\$ 41,845
Total operating revenues	41,845
Operating expenses:	
Instruction	48,637
Total operating expenses	48,637
Operating income (loss)	(6,792)
Change in net position	(6,792)
Net Position - Beginning	6,792
Net Position - Ending	\$ -

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

Statement of Cash Flows  
For the Year Ended June 30, 2016

Exhibit G

	Business-type Activities - Enterprise Fund	Early Childhood Development Center
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 41,845	
Cash received from private sources	-	
Cash payments to employees and professional contractors for services	(33,980)	
Cash payments to suppliers for goods and services	(14,657)	
Cash amounts due to other funds	-	
Net cash provided (used) by operating activities	(6,792)	
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	-	
Net cash provided by noncapital financing activities	-	
<b>Cash flows from investing activities:</b>		
Interest received	-	
Net cash provided by investing activities	-	
Net increase (decrease) in cash and cash equivalents	(6,792)	
Cash and cash equivalents, beginning of year	6,792	
Cash and cash equivalents, end of year	\$ -	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (6,792)	
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in due from other governments	-	
Increase (decrease) in accounts payable	-	
Increase (decrease) in due to other funds	-	
Total adjustments	-	
Net cash provided (used) by operating activities	\$ (6,792)	

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

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

**Exhibit H**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 1,759	\$ 1,357,271
Due from other funds	-	66,117
Total Assets	<u>1,759</u>	<u>\$ 1,423,388</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 1,287,302
Due to other funds	-	109,297
Due to student clubs	-	26,789
Total Liabilities	<u>-</u>	<u>\$ 1,423,388</u>
<b>Net Position</b>		
Held in trust	<u>1,759</u>	
Total Net Position	<u>\$ 1,759</u>	

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2016**

**Exhibit I**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 6
Contributions and donations from private sources	1,000
Total Additions	<u>1,006</u>
<b>Deductions</b>	
Scholarships awarded	<u>750</u>
Total Deductions	<u>750</u>
Change in Net Position	<u>256</u>
<b>Net Position</b>	
July 1, 2015	<u>1,503</u>
June 30, 2016	<u><u>\$ 1,759</u></u>

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

**Pearl River County School District**

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

## **Pearl River County School District**

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

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

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

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

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

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

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

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

The Statement of Net Position presents the District's non-fiduciary assets, 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



## Pearl River County School District

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

attributable to the acquisition, construction or improvement of those assets.

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

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

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

The school district reports the following major governmental funds:

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

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

EHA (Part B) Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

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

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

## **Pearl River County School District**

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

The district reports the following major Enterprise Fund:

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

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

The District's fiduciary funds include the following:

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

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual club.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for payables outstanding at year end.

Coca-Cola Scholarship Fund - This fund is used to account for funds received from Coca-Cola for scholarships to students at the district.

Additionally, the school district reports the following fund types:

#### **GOVERNMENTAL FUNDS**

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

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

#### **PROPRIETARY FUNDS**

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the District has

## Pearl River County School District

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

decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUNDS

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

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

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

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

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

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

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

## Pearl River County School District

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

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

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

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

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

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

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

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

#### **D. Encumbrances**

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

## **Pearl River County School District**

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

### **E. Assets, liabilities, and net position/fund balances**

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

##### **Cash and cash equivalents**

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

##### **Investments**

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

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

Investments for the district are reported at fair market value.

#### **2. Receivables and payables**

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

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

#### **3. Due from Other Governments**

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

## Pearl River County School District

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. 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 governmental column 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 River County School District

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

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. The school district has two deferred outflow items which are presented as a deferred outflow for pension and a deferred outflow from advance refunding of debt.

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

See Note 12 for further details.

#### 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

## Pearl River County School District

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

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 measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they 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.



## Pearl River County School District

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

*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.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### **Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State

## Pearl River County School District

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

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.

#### 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 \$4,378,061 and \$1,359,030, 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 a 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. As of June 30, 2015, none of the district's bank balance of \$6,969,961 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$145,919.

## Pearl River County School District

Notes to the Financial Statements  
For the 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

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 258,493
	EHA Part B Fund	543,471
	1997 Bond Issue Retirement Fund	170,000
	Other Governmental Funds	152,208
	Fiduciary Funds	106,583
Other Governmental Funds	Other Governmental Funds	1,783
Fiduciary Fund	General Fund	63,376
	Other Governmental Funds	27
	Fiduciary Funds	2,714
Total		\$ 1,298,655

The purpose of interfund loans was to account for federal funds that were not received until after the year ending June 30, 2016.

#### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 9,120
Other Governmental Funds	General Fund	524,692
	Other Governmental Funds	93
Total		\$ 533,905

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

### Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$378,135 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$145,919 of the MAEP Limited Obligation Bond/Note Fund.

# Pearl River County School District

## Notes to the Financial Statements For the 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	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2016
<u>Non-depreciable capital assets:</u>						
Land	\$ 759,736					759,736
Construction in progress	118,151	742,156		(855,188)	(5,119)	0
Total non-depreciable capital assets	877,887	742,156	0	(855,188)	(5,119)	759,736
<u>Depreciable capital assets:</u>						
Buildings	15,151,900				(10,922)	15,140,978
Building improvements	2,305,225					2,305,225
Improvements other than buildings	830,893			855,188		1,686,081
Mobile equipment	3,005,274	288,939				3,294,213
Furniture and equipment	880,796	94,638	48,779			926,655
Total depreciable capital assets	22,174,088	383,577	48,779	855,188	(10,922)	23,353,152
<u>Less accumulated depreciation for:</u>						
Buildings	4,841,772	285,226			(436)	5,126,562
Building improvements	1,201,426	89,448				1,290,874
Improvements other than buildings	497,872	67,443				565,315
Mobile equipment	2,052,489	195,995				2,248,484
Furniture and equipment	771,204	60,202	48,304			783,102
Total accumulated depreciation	9,364,763	698,314	48,304	0	(436)	10,014,337
Total depreciable capital assets, net	12,809,325	(314,737)	475	855,188	(10,486)	13,338,815
Governmental activities capital assets, net	\$ 13,687,212	427,419	475	0	(15,605)	14,098,551

Adjustments were made to correctly present capital assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 364,176
Support services	281,690
Non-instructional	52,448
Total depreciation expense	\$ 698,314

# Pearl River County School District

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

### Note 6 - Long-term liabilities

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

	Balance 7-1-2015	Reductions	Balance 6-30-2016	Amounts due within one year
A. General obligation bonds payable	\$ 1,095,000	360,000	735,000	375,000
B. Limited obligation bonds payable	628,000	270,000	358,000	280,000
C. Three mill notes payable	248,000	123,000	125,000	125,000
D. Obligations under energy efficiency leases	813,929	51,481	762,448	53,063
E. Compensated absences payable	148,883	19,409	129,474	6,474
	<u>\$ 2,933,812</u>	<u>823,890</u>	<u>2,109,922</u>	<u>839,537</u>
Premium on debt issuance	\$ 1,357	340	1,017	
Total long term debt and premium	<u>2,935,169</u>	<u>824,230</u>	<u>2,110,939</u>	<u>839,537</u>

#### A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2003	2.00-3.85%	08-19-03	02-15-18	\$ <u>4,475,000</u>	<u>735,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 375,000	27,923	402,923
2018	<u>360,000</u>	<u>13,860</u>	<u>373,860</u>
Total	<u>\$ 735,000</u>	<u>41,783</u>	<u>776,783</u>

This debt will be retired from the 2003 Retirement Fund.

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 1%

## Pearl River County School District

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

of property assessments as of October 1, 2015.

#### **B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bond, Series 2011	2.45%	04-18-11	08-01-17	\$ <u>1,592,000</u>	<u>358,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 280,000	5,341	285,341
2018	<u>78,000</u>	<u>956</u>	<u>78,956</u>
Total	\$ <u>358,000</u>	<u>6,297</u>	<u>364,297</u>

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

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

#### **C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2004	1.40-4.05%	04-02-04	04-01-17	\$ <u>2,000,000</u>	<u>125,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ <u>125,000</u>	<u>5,063</u>	<u>130,063</u>

## Pearl River County School District

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

This debt will be retired from the Three Mill Debt Service Fund.

#### **D. Obligations under energy efficiency leases**

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease, issue of 08-16-13	3.03%	08-16-13	08-16-28	\$ <u>908,351</u>	<u>762,448</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 53,063	22,369	75,432
2018	54,693	20,739	75,432
2019	56,374	19,058	75,432
2020	58,106	17,326	75,432
2021	59,890	15,542	75,432
2022-2026	328,214	48,946	377,160
2027-2029	<u>152,108</u>	<u>5,043</u>	<u>157,151</u>
Total	\$ <u>762,448</u>	<u>149,023</u>	<u>911,471</u>

This debt will be retired from the General Fund.

#### **E. 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 - Prior Year Defeasance of Debt**

In prior years, the Pearl River County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2016, \$360,000 of bonds outstanding are defeased.

### **Note 8 - Defined Benefit Pension Plan**

#### **General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments,

## Pearl River County School District

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

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 ending June 30, 2016, 2015 and 2014 were \$2,165,755, \$2,185,097, and \$1,901,479, respectively, which equaled the required contributions for each year.



## Pearl River County School District

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

### **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 \$34,327,488 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 .222069 percent, which was based on a measurement date of June 30, 2015. This was an increase of .024494 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.

For the year ended June 30, 2016, the District recognized pension expense of \$3,081,337. 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	\$ 902,394	\$
Net difference between projected and actual earnings on pension plan investments		1,467,840
Changes in assumptions	2,957,196	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,019,018	1,030,435
District contributions subsequent to the measurement date	2,165,755	
Total	<u>\$ 8,044,363</u>	<u>\$ 2,498,275</u>

\$2,165,755 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:	
2017	\$ 773,650
2018	978,817
2019	1,125,734
2020	502,132
Total	<u>\$ 3,380,333</u>

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

## Pearl River County School District

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

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

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, 2014. 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	<u>100%</u>	

*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

## Pearl River County School District

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

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ <u>45,246,774</u>	\$ <u>34,327,488</u>	\$ <u>25,266,522</u>

*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 - 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. 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.

#### Note 9 - Contingencies

**Federal Grants** - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance 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 10 - Insurance Loss Recoveries

The Pearl River County School District received \$82,096 in insurance loss recoveries related to bus accidents during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported support services.

## Pearl River County School District

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

### Note 11 - 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.

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 74,293
2018	69,601
2019	51,889
2020	51,889
2021	51,189
2022 - 2026	251,220
2027 - 2031	239,670
2032 - 2036	219,237
2037 - 2041	110,598
Total	<u>\$ 1,119,586</u>

### Note 12 - Effect of Deferred Amounts of Net Position

The net investment in capital assets net position amount of \$12,916,059 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$36,525 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 2 years.

The unrestricted net position amount of (\$25,041,468) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$8,044,363 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$25,041,468) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,498,275 balance of deferred inflow of resources, at June 30, 2016 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

## Pearl River County School District

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

### Note 13 - Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Adjustment was made to correctly present capital assets.	\$ (15,605)
See explanation below.	(632)
See explanation below.	(295)
Total	<u>\$ (16,532)</u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	To correct cash and write off outstanding items.	\$ (632)
Other Governmental Funds	To correctly present prior year summer feeding.	(295)
Total		<u>\$ (927)</u>

### Note 14 - 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 the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

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

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 5,367,177	\$ 5,955,283	\$ 5,955,283	\$ 588,106	\$ -
State sources	15,082,501	14,988,540	14,988,540	(93,961)	-
Federal sources	368,000	319,237	319,237	(48,763)	-
Sixteenth section sources	70,775	218,689	218,689	147,914	-
Total Revenues	20,888,453	21,481,749	21,481,749	593,296	-
<b>Expenditures:</b>					
Instruction	12,126,102	12,122,963	12,122,963	3,139	-
Support services	8,237,074	8,616,746	8,616,746	(379,672)	-
Sixteenth section	33,750	20,427	20,427	13,323	-
Facilities acquisition and construction	784,000	742,156	742,156	41,844	-
Debt service:					
Principal	49,947	51,481	51,481	(1,534)	-
Interest	25,486	23,951	23,951	1,535	-
Total Expenditures	21,256,359	21,577,724	21,577,724	(321,365)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(367,906)	(95,975)	(95,975)	271,931	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	82,096	82,096	82,096	-
Sale of other property	-	725	725	725	-
Operating transfers in	3,905,130	3,772,518	9,120	(132,612)	(3,763,398)
Operating transfers out	(4,380,783)	(4,288,090)	(524,692)	92,693	3,763,398
Total Other Financing Sources (Uses)	(475,653)	(432,751)	(432,751)	42,902	-
Net Change in Fund Balances	(843,559)	(528,726)	(528,726)	314,833	-
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	5,275,238	5,275,238	5,163,415	-	(111,823)
Prior period adjustments	(111,823)	(112,455)	(632)	(632)	111,823
July 1, 2015, as restated	5,163,415	5,162,783	5,162,783	(632)	-
June 30, 2016	\$ 4,319,856	\$ 4,634,057	\$ 4,634,057	\$ 314,201	\$ -

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Required Supplementary Information

## Budgetary Comparison Schedule

## Title I-A Basic 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>					
Federal sources	\$ 756,546	\$ 756,546	\$ 977,854	\$ -	\$ 221,308
Total Revenues	756,546	756,546	977,854	-	221,308
<b>Expenditures:</b>					
Instruction	568,629	491,740	471,058	76,889	20,682
Support services	412,902	502,890	476,353	(89,988)	26,537
Noninstructional services	33,131	33,468	30,443	(337)	3,025
Total Expenditures	1,014,662	1,028,098	977,854	(13,436)	50,244
Net Change in Fund Balances	(258,116)	(271,552)	-	13,436	(271,552)
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ (258,116)	\$ (271,552)	\$ -	\$ 13,436	\$ (271,552)

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



## PEARL RIVER COUNTY SCHOOL DISTRICT

## Required Supplementary Information

## Budgetary Comparison Schedule

## EHA Part B 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>					
Federal sources	\$ 558,863	\$ 558,863	\$ 549,510	\$ -	\$ (9,353)
Total Revenues	558,863	558,863	549,510	-	(9,353)
<b>Expenditures:</b>					
Instruction	263,556	263,183	262,865	373	318
Support services	282,772	283,145	286,645	(373)	(3,500)
Noninstructional services	260	260	-	-	260
Total Expenditures	546,588	546,588	549,510	-	(2,922)
Net Change in Fund Balances	12,275	12,275	-	-	12,275
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ 12,275	\$ 12,275	\$ -	\$ -	\$ 12,275

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

**Pearl River County School District**

## Schedule of the District's Proportionate Share of the Net Pension Liability

## PERS

## Last 10 Fiscal Years\*

	2016	2015
District's proportion of the net pension liability (asset)	\$ 34,327,488	23,981,987
District's proportionate share of the net pension liability (asset)	0.222069%	0.197575%
District's covered - employee payroll	13,873,632	12,072,883
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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 River County School District**  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years\*

	2016	2015
Contractually required contribution	\$ 2,165,755	2,185,097
Contributions in relation to the contractually required contribution	2,165,755	2,185,097
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	13,750,825	13,873,632
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.

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 River County School District

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2016

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### Pension Schedules

(1) Changes of benefit terms

None.

(2) 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 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 River County School District**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 228,249
National School Lunch Program	10.555	958,751
Summer Food Service Program for Children	10.559	3,704
Total Child Nutrition Cluster		1,190,704
Total passed-through the Mississippi Department of Education		1,190,704
<b>Total U.S. Department of Agriculture</b>		<b>1,190,704</b>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	80,701
<b>Total U.S. Department of Defense</b>		<b>80,701</b>
<b><u>U.S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	977,854
Career and Technical Education - Basic Grants to States	84.048	27,183
Rural Education	84.358	57,255
Supporting Effective Instruction State Grant	84.367	128,999
Sub-total		1,191,291
Special Education Cluster:		
Special Education - Grants to States	84.027	549,510
Special Education - Preschool Grants	84.173	24,905
Total Special Education Cluster		574,415
Total passed-through the Mississippi Department of Education		1,765,706
<b>Total U.S. Department of Education</b>		<b>1,765,706</b>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	29,084
Total passed-through the Mississippi Department of Education		29,084
<b>Total U.S. Department of Health and Human Services</b>		<b>29,084</b>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ 3,066,195</b>

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

**Schedule 2**

**Pearl River County School District**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2016

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 18,473,602	13,773,294	921,109	1,774,829	2,004,370
Other	8,263,313	2,607,105	234,827	114,088	5,307,293
Total	\$ 26,736,915	16,380,399	1,155,936	1,888,917	7,311,663
Total number of students *	2,689				
Cost per student	\$ 9,943	6,092	430	702	2,719

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 school year.

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

## Pearl River County School District

### Notes to the Supplementary Information For the Year Ended June 30, 2016

#### (1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards 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, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the 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). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The pass-through entities did not assign identifying numbers to the school district.
- c. The school district did not elect to use the 10% de minimis indirect cost rate.
- d. Donated commodities of \$91,558 are included in the National School Lunch Program.

#### (2) Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

- a. This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.



## OTHER INFORMATION

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

## General Fund

## Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 5,955,283	5,661,668	5,761,124	5,870,138
State sources	14,988,540	14,015,907	14,086,693	13,811,407
Federal sources	319,237	132,135	161,522	128,655
Sixteenth section sources	218,689	60,056	-	-
Total Revenues	<u>21,481,749</u>	<u>19,869,766</u>	<u>20,009,339</u>	<u>19,810,200</u>
<b>Expenditures:</b>				
Instruction	12,122,963	11,679,274	11,924,583	12,290,565
Support services	8,616,746	8,363,277	9,495,036	8,095,791
Noninstructional services	-	75	75	106
Sixteenth section	20,427	32,915	-	-
Facilities acquisition and construction	742,156	118,151	-	-
Debt service:				
Principal	51,481	49,947	44,475	-
Interest	23,951	25,485	24,671	-
Total Expenditures	<u>21,577,724</u>	<u>20,269,124</u>	<u>21,488,840</u>	<u>20,386,462</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(95,975)</u>	<u>(399,358)</u>	<u>(1,479,501)</u>	<u>(576,262)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	908,351	-
Insurance recovery	82,096	-	-	1,934
Sale of other property	725	5,585	-	1,800
Operating transfers in	9,120	14,802	230,217	15,600
Operating transfers out	(524,692)	(482,867)	(519,817)	(380,034)
Other financing uses	-	-	-	(650)
Total Other Financing Sources (Uses)	<u>(432,751)</u>	<u>(462,480)</u>	<u>618,751</u>	<u>(361,350)</u>
Net Change in Fund Balances	<u>(528,726)</u>	<u>(861,838)</u>	<u>(860,750)</u>	<u>(937,612)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	5,163,415	5,468,676	6,329,426	7,267,038
Fund reclassification	-	567,890	-	-
Prior period adjustment	(632)	(11,313)	-	-
Beginning of period, as restated	<u>5,162,783</u>	<u>6,025,253</u>	<u>6,329,426</u>	<u>7,267,038</u>
End of period	<u>\$ 4,634,057</u>	<u>5,163,415</u>	<u>5,468,676</u>	<u>6,329,426</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PEARL RIVER COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Funds  
 Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 6,911,229	6,572,679	6,736,180	6,875,568
State sources	15,688,587	14,689,488	14,742,855	14,396,131
Federal sources	3,284,913	2,953,171	2,740,785	2,834,175
Sixteenth section sources	246,348	60,836	269,960	111,831
Total Revenues	<u>26,131,077</u>	<u>24,276,174</u>	<u>24,489,780</u>	<u>24,217,705</u>
<b>Expenditures:</b>				
Instruction	13,739,496	13,260,514	13,344,679	13,706,446
Support services	9,873,565	9,531,994	10,480,431	9,006,202
Noninstructional services	1,450,303	1,414,453	1,402,448	1,397,863
Sixteenth section	36,280	39,840	39,812	73,997
Facilities acquisition and construction	742,156	118,151	-	-
Debt service:				
Principal	804,481	1,778,947	805,103	730,314
Interest	87,034	112,046	134,664	131,664
Other	3,600	3,725	4,150	4,150
Total Expenditures	<u>26,736,915</u>	<u>26,259,670</u>	<u>26,211,287</u>	<u>25,050,636</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(605,838)</u>	<u>(1,983,496)</u>	<u>(1,721,507)</u>	<u>(832,931)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	908,351	-
Insurance recovery	82,096	-	-	1,934
Sale of other property	1,175	5,585	-	1,800
Operating transfers in	533,905	506,041	753,823	395,634
Other financing sources	-	-	677	650
Operating transfers out	(533,905)	(506,041)	(753,823)	(395,634)
Other financing uses	-	-	(3,958)	(650)
Total Other Financing Sources (Uses)	<u>83,271</u>	<u>5,585</u>	<u>905,070</u>	<u>3,734</u>
Net Change in Fund Balances	<u>(522,567)</u>	<u>(1,977,911)</u>	<u>(816,437)</u>	<u>(829,197)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	6,653,345	8,628,921	9,454,847	10,281,268
Prior period adjustment	(927)	(11,313)	-	-
Beginning of period, as restated	<u>6,652,418</u>	<u>8,617,608</u>	<u>9,454,847</u>	<u>10,281,268</u>
Increase (Decrease) in inventory	5,477	13,648	(9,489)	2,776
End of period	<u>\$ 6,135,328</u>	<u>6,653,345</u>	<u>8,628,921</u>	<u>9,454,847</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pearl River County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pearl River County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pearl River County School District's basic financial statements, and have issued our report thereon dated April 18, 2017.

**Internal Control Over Financial Reporting**

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

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## **Compliance and Other Matters**

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

## **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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
April 18, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board  
Pearl River County School District

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

We have audited Pearl River County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pearl River County School District's major federal programs for the year ended June 30, 2016. The Pearl River County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Pearl River County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

Management of the Pearl River County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pearl River County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
April 18, 2017

Certified Public Accountants



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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pearl River County School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2016, which collectively comprise the Pearl River County School District's basic financial statements and have issued our report thereon dated April 18, 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

**Finding 1:**

Criteria:

Section 31-7-305, Miss. Code Ann. (1972), states “payments should be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection and approval of the goods and services.”

Condition:

During our test of expenditures, we noted that the payment of 20 invoices out of 80 were over the 45-day statutory limitation.

Cause:

There were policies or procedures in place to ensure these invoices were paid in a timely manner. However, personnel did not follow the District’s policies.

Effect:

This caused the District to be in noncompliance with Section 31-7-305, Miss. Code Ann. (1972).

Recommendation:

The District should comply with Miss. Code Section 31-7-305.

Response:

The District will comply with Miss. Code Section 31-7-305.

**Finding 2:**

Criteria:

Section 37-9-31, Miss. Code Ann. (1972) requires that principals shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk’s office.

Condition:

During the course of our audit, we noted a principal was bonded for \$25,000.

Cause:

The cause of the above condition is primarily due to management noncompliance with Section 37-9-31, Miss. Code Ann. (1972).

Effect:

The District was not indemnified from certain potential losses.

Recommendation:

We recommend the school district comply with Miss. Code Section 37-9-31 and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the

chancery clerk's office.

Response:

The District will comply with all applicable code sections and bond the specified personnel for the appropriate amount and ensure all bonds are recorded and on file in the chancery clerk's office.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken. The Pearl River County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 18, 2017

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Pearl River County School District**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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

**Financial Statements:**

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

**Federal Awards:**

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major federal 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>
10.553, 10.555 & 10.559	Child Nutrition Cluster
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? No.

**Section II: Financial Statement Findings**

The results of our tests did not disclose findings related to the financial statements that are required to be reported by *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.