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**CITY OF PEARL, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

RECEIVED

OCT 04 2018

**CITY OF PEARL, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the  
Board of Aldermen, and City Clerk  
City of Pearl, Mississippi

### 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 City of Pearl, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

### Basis for Qualified Opinion on Governmental Activities and Business-type Activities

As discussed in Note 9 to the financial statements, the City has not recorded a liability for other postemployment benefits in the governmental activities and the business-type activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses of the governmental activities and business-type activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities and business-type activities is not reasonably determinable.

### Qualified Opinions

In our opinion, except for the effects of the matter discussed in "Basis for Qualified Opinions on Governmental Activities and Business-type Activities", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, of the City of Pearl, Mississippi, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, except for the effects of the matters discussed in the preceding sections, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules, the City's Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions, and corresponding notes 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 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 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.

### Omission of Required Supplementary Information


The City of Pearl, Mississippi, has omitted the Management's Discussion and Analysis and the Schedule of Funding Progress-Other Postemployment Benefits that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The Schedule of Surety Bonds for Municipal Officials 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 September 7, 2018, on our consideration of the City of Pearl, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pearl, Mississippi's internal control over financial reporting and compliance.

  
Herzog CPA Company, PLLC  
September 7, 2018

## **BASIC FINANCIAL STATEMENTS**

**City of Pearl, Mississippi**  
**Statement of Net Position**  
**September 30, 2017**

**EXHIBIT 1**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 2,673,285	\$ 1,364,879	\$ 4,038,164
Property tax receivable	6,822,601	-	6,822,601
Fines receivable (net of allowance for uncollectibles of \$4,582,894)	244,091	-	244,091
Accounts receivable, (net of allowance for uncollectibles of \$89,992)	-	908,415	908,415
Other receivables	83,059	12,035	95,094
Due from other governments	1,273,546	149,759	1,423,305
Internal balances	(817,038)	964,179	147,141
Sales tax receivable	1,755,800	-	1,755,800
Total Current Assets	12,035,344	3,399,267	15,434,611
<b>Noncurrent Asset:</b>			
Restricted cash	615	394,484	395,099
Home Grant receivable	474,000	-	474,000
Capital assets, net	63,747,088	13,633,749	77,380,837
Total Noncurrent Assets	64,221,703	14,028,233	78,249,936
<b>Total Assets</b>	<b>76,257,047</b>	<b>17,427,500</b>	<b>93,684,547</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows related to pension	1,996,185	229,817	2,226,002
Deferred amount on refunding	274,514	119,052	393,566
Total Deferred Outflows of Resources	2,270,699	348,869	2,619,568
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 78,527,746</b>	<b>\$ 17,776,369</b>	<b>\$ 96,304,115</b>

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

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**City of Pearl, Mississippi**  
**Statement of Net Position**  
**September 30, 2017**

Page 2  
**EXHIBIT 1**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Claims payable	\$ 840,367	\$ 333,484	\$ 1,173,851
Accrued interest payable	252,593	28,752	281,345
Due to other governments	43,463	-	43,463
Other payables	103,946	-	103,946
Current portion of non-capital related long-term debt	488,890		488,890
Current portion of capital related long-term debt	4,151,129	510,239	4,661,368
<b>Total Noncurrent Liabilities</b>	<b>5,880,388</b>	<b>872,475</b>	<b>6,752,863</b>
<b>Noncurrent Liabilities:</b>			
Long-term non-capital related liabilities due in more than one year	3,944,275	-	3,944,275
Long-term capital related liabilities due in more than one year	27,949,551	5,988,671	33,938,222
Compensated absences payable	267,317	36,135	303,452
Customer meter deposits payable	-	394,484	394,484
Escrowed seizure funds payable	84,310	-	84,310
Net pension liability	22,603,285	2,602,269	25,205,554
<b>Total Noncurrent Liabilities</b>	<b>54,848,738</b>	<b>9,021,559</b>	<b>63,870,297</b>
<b>Total Liabilities</b>	<b>60,729,126</b>	<b>9,894,034</b>	<b>70,623,160</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	6,620,283	-	6,620,283
Deferred Inflows related to pension	377,151	43,421	420,572
<b>Total Deferred Inflows of Resources</b>	<b>6,997,434</b>	<b>43,421</b>	<b>7,040,855</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>67,726,560</b>	<b>9,937,455</b>	<b>77,664,015</b>
<b>NET POSITION</b>			
Net investment in capital assets	31,646,408	7,134,839	38,781,247
Restricted for:			
Debt service	2,688,807	-	2,688,807
Public safety	698,055	-	698,055
Capital improvements	500,126	28,462	528,588
Unrestricted	(24,732,210)	675,613	(24,056,597)
<b>Total Net Position</b>	<b>10,801,186</b>	<b>7,838,914</b>	<b>18,640,100</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 78,527,746</b>	<b>\$ 17,776,369</b>	<b>\$ 96,304,115</b>

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

**City of Pearl, Mississippi**  
**Statement of Activities**  
**For the Year Ended September 30, 2017**

**EXHIBIT 2**

Function/Programs		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>	<b>Expenses</b>						
Governmental Activities:							
General government	\$ (4,728,514)	\$ -	\$ -	\$ -	\$ (4,728,514)	\$ -	\$ (4,728,514)
Public safety	(13,047,221)	2,252,417	268,962	35,898	(10,489,944)	-	(10,489,944)
Public works	(4,528,239)	1,708,443	-	50,118	(2,769,678)	-	(2,769,678)
Health and welfare	(462,751)	-	-	-	(462,751)	-	(462,751)
Culture and recreation	(1,533,251)	1,481,459	252,532	-	200,740	-	200,740
Interest on long-term debt	(1,186,037)	-	-	-	(1,186,037)	-	(1,186,037)
Pension expense	(2,891,993)	-	-	-	(2,891,993)	-	(2,891,993)
Total Governmental Activities	<u>(28,378,006)</u>	<u>5,442,319</u>	<u>521,494</u>	<u>86,016</u>	<u>(22,328,177)</u>	<u>-</u>	<u>(22,328,177)</u>
Business-type Activities:							
Water/Sewer	(7,567,089)	8,395,866	-	-	-	828,777	828,777
Pension expense	(332,799)	-	-	-	-	(332,799)	(332,799)
Total Business-type Activities	<u>(7,899,888)</u>	<u>8,395,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,978</u>	<u>495,978</u>
Total Primary Government	<u>\$ (36,277,894)</u>	<u>\$ 13,838,185</u>	<u>\$ 521,494</u>	<u>\$ 86,016</u>	<u>\$ (22,328,177)</u>	<u>\$ 495,978</u>	<u>\$ (21,832,199)</u>

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

**City of Pearl, Mississippi**  
**Statement of Activities**  
**September 30, 2017**

**Page 2**  
**Exhibit 2**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
General Revenues and Transfers			
Taxes:			
Property tax	\$ 6,634,576	\$ -	\$ 6,634,576
Road and bridge privilege taxes	912,282	-	912,282
Sales tax	10,030,338	-	10,030,338
Franchise taxes	874,044	-	874,044
Grants and contributions not restricted to specific programs	2,300,635	-	2,300,635
Unrestricted investment income	5,482	1,453	6,935
Miscellaneous	1,125,056	5,138	1,130,194
Transfers	260,072	(260,072)	-
Total General Revenues and Transfers	22,142,485	(253,481)	21,889,004
Change in Net Position	(185,692)	242,497	56,805
Net Position- Beginning	10,736,839	7,071,027	17,807,866
Prior period adjustment	250,039	525,390	775,429
Net Position-as restated	10,986,878	7,596,417	18,583,295
Net Position- End of year	\$ 10,801,186	\$ 7,838,914	\$ 18,640,100

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

**City of Pearl, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2017**

**EXHIBIT 3**

	<b>Major Governmental Funds</b>			
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 2,147,526	\$ 525,759	\$ 2,673,285
Property tax receivable	2,210,433	4,612,168	-	6,822,601
Fines receivable (net of allowance for uncollectibles of \$4,582,894)	244,091	-	-	244,091
Sales tax receivable	1,755,800	-	-	1,755,800
Other receivables	83,059	-	-	83,059
Due from other governments	1,154,749	-	118,797	1,273,546
Due from other funds	1,104,309	405,350	1,594,389	3,104,048
<b>Total Assets</b>	<b>\$ 6,552,441</b>	<b>\$ 7,165,044</b>	<b>\$ 2,238,945</b>	<b>\$ 15,956,430</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 790,901	\$ 1,645	\$ 47,821	\$ 840,367
Due to other governments	43,463	-	-	43,463
Due from other funds	3,497,786	-	423,300	3,921,086
Other liabilities	103,946	-	-	103,946
State and federal seized funds escrow	-	-	84,310	84,310
<b>Total Liabilities</b>	<b>4,436,096</b>	<b>1,645</b>	<b>555,431</b>	<b>4,993,172</b>
<b>Deferred Inflows of Resources:</b>				
Property tax for future periods	2,145,691	4,474,592	-	6,620,283
Unavailable revenue-fines	244,091	-	-	244,091
<b>Total Deferred Inflows of Resources</b>	<b>2,389,782</b>	<b>4,474,592</b>	<b>-</b>	<b>6,864,374</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>6,825,878</b>	<b>4,476,237</b>	<b>555,431</b>	<b>11,857,546</b>
<b>FUND BALANCES:</b>				
Restricted:				
Public safety	-	-	879,704	879,704
Committed:				
Debt service	-	2,688,807	-	2,688,807
Public works	-	-	303,684	303,684
Capital projects	-	-	500,126	500,126
Unassigned	(273,437)	-	-	(273,437)
<b>Total Fund Balances</b>	<b>(273,437)</b>	<b>2,688,807</b>	<b>1,683,514</b>	<b>4,098,884</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,552,441</b>	<b>\$ 7,165,044</b>	<b>\$ 2,238,945</b>	<b>\$ 15,956,430</b>

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

**City of Pearl, Mississippi**  
**Reconciliation of Governmental Funds Balance Sheet to**  
**Statement of Net Position**  
**September 30, 2017**

**EXHIBIT 3.1**

**Fund balances - Total Governmental Funds**

**\$ 4,098,884**

Amounts reported for governmental activities in the Statement of  
Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds

63,747,088

Fine receivables that have accrued at year-end but are not available to liquidate  
liabilities of the current period are not reported in the funds.

244,091

Long-term note receivable is not available in the current period.

474,000

Deferred outflows of resources are not a financial resource and, therefore, are not  
reported in the funds:

Outflows related to pension liabilities

1,996,185

Deferred amount on bond refunding

274,514

2,270,699

Accrued interest payable is not a current liability payable from current assets

(252,593)

Cash with trustee from issuance of long-term refunding notes and  
certificates of participation

615

Liabilities not due and payable in the current period are not reported in the funds:

Long-term liabilities

(36,801,162)

Pension liabilities

(22,603,285)

Deferred Inflows related to pension liability are applicable to future periods,  
and therefore, are not reported in the funds

(377,151)

**Net Position of Governmental Activities**

**\$ 10,801,186**

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**City of Pearl, Mississippi**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2017**

**EXHIBIT 4**

	<b>Major Governmental Funds</b>			
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 2,174,822	\$ 4,459,754	\$ -	\$ 6,634,576
Road and bridge privilege tax	912,282	-	-	912,282
Licenses and permits	244,570	-	-	244,570
Fines and forfeitures	1,925,104	-	-	1,925,104
Intergovernmental revenue	11,377,462	338,350	582,050	12,297,862
Charges for services	3,346,420	-	1,463,873	4,810,293
Interest income	1,688	2,888	906	5,482
Miscellaneous	1,070,868	-	52,480	1,123,348
<b>Total Revenues</b>	<b>21,053,216</b>	<b>4,800,992</b>	<b>2,099,309</b>	<b>27,953,517</b>
<b>EXPENDITURES</b>				
Current:				
General government	4,638,638	-	-	4,638,638
Public safety	13,395,462	-	232,905	13,628,367
Public works	2,490,957	-	1,571,142	4,062,099
Health and welfare	425,994	-	-	425,994
Culture and recreation	1,192,758	-	-	1,192,758
Debt service:				
Principal	434,517	3,149,013	711,924	4,295,454
Interest	35,840	892,150	303,475	1,231,465
<b>Total Expenditures</b>	<b>22,614,166</b>	<b>4,041,163</b>	<b>2,819,446</b>	<b>29,474,775</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,560,950)</b>	<b>759,829</b>	<b>(720,137)</b>	<b>(1,521,258)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Proceeds of notes	1,000,000	-	-	1,000,000
Transfers in	23,190	260,072	-	283,262
Transfers out	-	-	(23,190)	(23,190)
<b>Total Other Financing Sources and (Uses)</b>	<b>1,023,190</b>	<b>260,072</b>	<b>(23,190)</b>	<b>1,260,072</b>
<b>Net Change in Fund Balances</b>	<b>(537,760)</b>	<b>1,019,901</b>	<b>(743,327)</b>	<b>(261,186)</b>
Fund Balance-Beginning	(4,239,513)	1,662,690	2,253,689	(323,134)
Prior period adjustment	4,503,836	6,216	173,152	4,683,204
Fund Balance, as restated	264,323	1,668,906	2,426,841	4,360,070
Fund Balances-Ending	\$ (273,437)	\$ 2,688,807	\$ 1,683,514	\$ 4,098,884

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

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**City of Pearl, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**In Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2017**

**EXHIBIT 5**

<b>Net Changes in Fund Balances - Total Governmental Funds (Exhibit 4)</b>	<b>\$ (261,186)</b>
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Amounts reported for governmental activities in the Statement of Activities  
(Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However in the  
Statement of Activities, the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation expense.

In the current period, these amounts are:

Capital outlay	599,247	
Depreciation expense	(2,089,725)	(1,490,478)

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 effects of premiums,  
discounts, and the difference between the carrying value of refunded debt and the  
acquisition costs of refunded debt when debt is first issued. These amounts are  
deferred and amortized in the Statement of Activities:

Long-term debt issued	(1,000,000)	
Payment on debt principal	4,295,454	
Amortization of premiums on bonds and certificates of participation	8,989	3,304,443

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in governmental funds.

Change in accrued bond interest expense	36,438	
Change in long-term compensated absences	73,860	
Change in deferred outflows-amortization of bond refunding costs	(16,210)	
Change in deferred inflows-fines	(21,275)	72,813

Some items reported in the Statement of Activities related to the  
Implementation of GASB 68 are not reported as revenues/expenditures  
in the governmental Funds. These activities include:

Recording of pension expense for the current period	(2,891,993)	
Recording of contributions made subsequent to measurement date	416,749	
Recognition of contributions made in the fiscal year prior to to the measurement date	663,960	(1,811,284)

<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>	<b>\$ (185,692)</b>
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The notes to the financial statements are an integral part of this statement.

**City of Pearl, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2017**

**EXHIBIT 6**

	<b>Business-type Activity</b>		
	<b>Enterprise Funds</b>		
	<b>Water/ Sewer</b>	<b>Water/Sewer Improvements</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,279,982	\$ 84,897	\$ 1,364,879
Accounts receivable, (net of allowance for uncollectibles of \$89,992)	908,415	-	908,415
Due from other governments	-	149,759	149,759
Due from other funds	1,978,908	16,691	1,995,599
Other current assets	12,035	-	12,035
Total Current Assets	<u>4,179,340</u>	<u>251,347</u>	<u>4,430,687</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	394,484	-	394,484
Capital assets, net	12,601,508	1,032,241	13,633,749
Total Noncurrent Assets	<u>12,995,992</u>	<u>1,032,241</u>	<u>14,028,233</u>
Total Assets	<u>17,175,332</u>	<u>1,283,588</u>	<u>18,458,920</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	229,817	-	229,817
Deferred amount on refunding	119,052	-	119,052
Total Deferred Outflows of Resources	<u>348,869</u>	<u>-</u>	<u>348,869</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,524,201</u>	<u>\$ 1,283,588</u>	<u>\$ 18,807,789</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**City of Pearl, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2017**

Page 2  
**EXHIBIT 6**

	<b>Business-type Activity</b>		
	<b>Enterprise Funds</b>		
	<b>Water/ Sewer</b>	<b>Water/Sewer Improvements</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Claims payable	\$ 110,599	\$ 222,885	\$ 333,484
Accrued interest payable	28,752	-	28,752
Due to other funds	1,031,420	-	1,031,420
Current portion of long-term debt	481,647	28,592	510,239
Total Current Liabilities	<u>1,652,418</u>	<u>251,477</u>	<u>1,903,895</u>
Noncurrent Liabilities:			
Long-term liabilities	4,984,523	1,004,148	5,988,671
Compensated absences payable	36,135	-	36,135
Customer meter deposits payable	394,484	-	394,484
Net pension liability	2,602,269	-	2,602,269
Total Noncurrent Liabilities	<u>8,017,411</u>	<u>1,004,148</u>	<u>9,021,559</u>
Total Liabilities	<u>9,669,829</u>	<u>1,255,625</u>	<u>10,925,454</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	43,421	-	43,421
Total Deferred Inflows of Resources	<u>43,421</u>	<u>-</u>	<u>43,421</u>
Total Liabilities and Deferred Inflows of Resources	<u>9,713,250</u>	<u>1,255,625</u>	<u>10,968,875</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,135,338	(499)	7,134,839
Restricted for capital improvements	-	28,462	28,462
Unrestricted	675,613	-	675,613
Total Net Position	<u>7,810,951</u>	<u>27,963</u>	<u>7,838,914</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 17,524,201</u>	<u>\$ 1,283,588</u>	<u>\$ 18,807,789</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**City of Pearl, Mississippi**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**September 30, 2017**

**EXHIBIT 7**

	<b>Business-type Activity</b>		
	<b>Enterprise Funds</b>		
	<b>Water/ Sewer</b>	<b>Water/Sewer Improvements</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 8,395,866	\$ -	\$ 8,395,866
Total Operating Revenues	8,395,866	-	8,395,866
<b>OPERATING EXPENSES</b>			
Personnel services	1,729,724	-	1,729,724
Contractual services	459,326	-	459,326
Materials and supplies	142,497	-	142,497
Maintenance	460,730	-	460,730
Utilities	359,493	-	359,493
West Rankin charges	3,201,402	-	3,201,402
Depreciation expense	722,077	-	722,077
Other operating expenses	563,757	-	563,757
Total Operating Expenses	7,639,006	-	7,639,006
Operating Income	756,860	-	756,860
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	1,453	-	1,453
Interest expense	(260,882)	-	(260,882)
Other income	5,096	42	5,138
Transfers out	(260,072)	-	(260,072)
Total Nonoperating Revenue (Expenses)	(514,405)	42	(514,363)
Change in Net Position	242,455	42	242,497
Net Position-Beginning	7,043,106	27,921	7,071,027
Prior Period Adjustment	525,390	-	525,390
Net Position, as restated	7,568,496	27,921	7,596,417
Total Net Position-Ending	\$ 7,810,951	\$ 27,963	\$ 7,838,914

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**City of Pearl, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2017**

**EXHIBIT 8**

	<b>Business-type Activity</b>		
	<b>Enterprise Funds</b>		
	<b>Water/ Sewer</b>	<b>Water/Sewer Improvements</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 8,443,955	\$ 73,125	\$ 8,517,080
Payments to suppliers and employees	(6,661,902)	-	(6,661,902)
Net Cash Provided by Operating Activities	1,782,053	73,125	1,855,178
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Other revenues	5,096	-	5,096
Transfers in (out)/change in interfund payables	(476,966)	-	(476,966)
Net Cash (Used) by Noncapital Financing Activities	(471,870)	-	(471,870)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Proceeds from debt issues	-	433,716	433,716
Acquisition and construction of capital assets	(119,741)	(433,716)	(553,457)
Principal paid on long-term debt	(474,959)	-	(474,959)
Interest expense paid	(260,882)	-	(260,882)
Net Cash (Used) by Capital Financing Activities	(855,582)	-	(855,582)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	1,453	42	1,495
Net Cash Provided by Investing Activities	1,453	42	1,495
Net Increase in Cash and Cash Equivalents	456,054	73,167	529,221
Cash and Cash Equivalents-Beginning of Year	1,218,412	11,730	1,230,142
Cash and Cash Equivalents-End of Year	\$ 1,674,466	\$ 84,897	\$ 1,759,363
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income	\$ 756,860	\$ -	\$ 756,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	722,077	-	722,077
Changes in assets and liabilities:			
Decrease in accounts receivable	48,089	(149,759)	(101,670)
Decrease in other current assets	13,760	-	13,760
Decrease in deferred outflows of resources-pension	246,034	-	246,034
Increase in deferred inflows of resources-pension	43,421	-	43,421
Increase in claims payable	77,839	222,884	300,723
Increase in customer deposits	10,174	-	10,174
Increase in compensated absences	199	-	199
(Decrease) in pension liability	(136,400)	-	(136,400)
Total adjustments	1,025,193	73,125	1,098,318
Net Cash Provided by Operating Activities	\$ 1,782,053	\$ 73,125	\$ 1,855,178

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

**City of Pearl, Mississippi**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2017**

	<b>EXHIBIT 9</b>	
		<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and investments	\$	7,893
Due from other funds		163,063
Due from other governments		142,320
Total Assets	\$	313,276
<b>LIABILITIES</b>		
Due to other funds	\$	310,204
Due to state treasury		3,072
Total Liabilities	\$	313,276

The accompanying Notes to the Financial Statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity.**

The City of Pearl (City) is a code-charter municipality governed by an elected Mayor and seven aldermen. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of such a potential component unit addressed in defining the City's reporting entity:

Excluded from the reporting entity is the Pearl Separate School District. This potential component unit has a separate board appointed by the City that approves their annual budget. This potential component unit was excluded from the reporting entity because the City has determined that it is not financially accountable for the potential component unit under criteria set forth by the Governmental Accounting Standards Board (GASB).

There are no other potential component units.

**B. Basis of Presentation.**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type activity is self-financing or draws from the general revenues of the City.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*Fund Financial Statements:*

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

**C. Measurement Focus and Basis of Accounting.**

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Funds' primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The City reports the following major Governmental Funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing.

The City reports the following major Proprietary Funds:

The *water and sewer fund* accounts for the activities of the water and sewer system.

The *water/sewer improvements fund* accounts for construction projects for the water and sewer system.

Additionally the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

*Special Revenue Funds*- Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

*Debt Service Funds*- Account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

*Capital Projects Funds*- Account for resources that are to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of long-term debt and federal and state grants.

**PROPRIETARY FUND TYPES**

*Enterprise Funds*- These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises.



**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**FIDUCIARY FUND TYPES**

*Agency Funds*- These funds account for various taxes, deposits and other monies collected or held by the City, acting in capacity of an agent, for distribution to other governmental units.

**D. Assets, Liabilities and Net Position or Equity.**

*1. Deposits.*

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U. S. Treasury, State of Mississippi, or any county, municipality, or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

*2. Receivables.*

Receivables represent amounts due to the City for revenue earned that will be collected sometime in the future. Receivables are reported net of allowances for uncollectible accounts, where applicable.

*3. Interfund Transactions and Balances.*

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities, and agency funds are reported in the government-wide financial statements as "internal balances."

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**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**4. Capital Assets.**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. The City met those criteria and reactively reported major general infrastructure assets. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. Interest cost incurred during the construction of Proprietary Fund capital assets is capitalized as part of the cost of construction. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 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	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*5. Compensated Absences.*

It is the City's policy to permit employees to accumulate earned but unused vacation. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*6. 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 an 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.

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

*7. Pensions.*

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

*8. Long-term Liabilities.*

Long-term liabilities are the unmatured principal of bonds, loans, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premiums.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

***8. Long-term Liabilities. Continued***

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***9. Equity Classifications.***

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as Net Position on the government-wide and proprietary funds financial statements and as Fund Balance in the governmental funds financial statements.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

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

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*9. Equity Classifications. Continued*

**Fund Financial Statements:**

Fund balances for governmental funds are 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.

The following are descriptions of the fund classifications used by the City:

*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 are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

*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 if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

**Fund Balance Flow Assumption:**

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

*10. Intergovernmental Revenues in Government Funds.*

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are adopted on a basis prescribed by state law (cash basis).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.
2. Prior to October 1, the budget is legally enacted through passage of an order.
3. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
4. Formal budgetary integration is employed as a management control device during the year for the various funds, except for Debt Service Funds, because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
5. Budgets for the various funds are adopted on a cash basis as required by state law.

It is the City's policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

**Property Tax Revenues**

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at the meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 3 – PRIOR PERIOD ADJUSTMENT**

A summary of the significant fund equity adjustments are as follows:

**Exhibit 2-Statement of Activities:**

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities</u>	
To correct error in police seizure liability	\$ 77,152
To correct duplicate checks from prior years	172,887
	<hr/>
Total prior period adjustments	\$ 250,039
	<hr/>
<u>Water/Sewer Fund / Business-Type Activities</u>	
To correct duplicate checks from prior years	\$ 525,390
	<hr/>

**Exhibit 4-Statement of Revenues, Expenditures and Charges in Fund Balances**

<u>Explanation</u>	<u>Amount</u>
<u>General Fund</u>	
To correct duplicate checks from prior years	\$ 70,671
To correct long-term debt included in fund financial statements	4,433,165
Total prior period adjustments	4,503,836
	<hr/>
<u>Debt Service Fund</u>	
To correct duplicate checks from prior years	\$ 6,216
	<hr/>
<u>Other Governmental Funds</u>	
To correct error in police seizure liability	\$ 77,152
To correct duplicate checks from prior years	96,000
Total Other Governmental Funds	\$ 173,152
	<hr/>

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits.**

At year-end, the City's carrying amount of deposits was \$4,441,156 and the bank balance was \$6,205,287. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**Custodial Credit Risk-Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. 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 City.

**B. Receivables.**

Receivables as of year-end for the City's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
Sales tax	\$ 1,755,800	\$ -	\$ 1,755,800
Property taxes	6,822,601	-	6,822,601
Accounts	-	998,407	998,407
Fines	4,826,985	-	4,826,985
From State of Mississippi	508,847	149,759	658,606
From Pearl/Richland Intermodal	764,699	-	764,699
Other receivables	83,059	12,035	95,094
HOME grant receivable	474,000	-	474,000
Gross receivables	15,235,991	1,160,201	16,396,192
Less: allowance for uncollectibles	(4,582,894)	(89,992)	(4,672,886)
Net total receivables	<u>\$ 10,653,097</u>	<u>\$ 1,070,209</u>	<u>\$ 11,723,306</u>

		<u>Unavailable</u>	<u>Unearned</u>
Unearned fines		\$ -	\$ 244,091
Property taxes receivable:	General Fund	2,145,691	-
	Debt Service Fund	4,474,592	-
Total unearned revenue for governmental funds		<u>\$ 6,620,283</u>	<u>\$ 244,091</u>

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**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**C. Deferred Outflows of Resources/Deferred Inflows of Resources.**

*Deferred Outflows of Resources*

The City reports the following items in this category:

**Government-wide Statement of Net Position/Proprietary Fund Statements of Net Position**

Deferred outflows related to pensions. This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates.

Deferred amount on bond refunding. This amount represents the unamortized balance of losses incurred in the refunding of bonds.

*Deferred Inflows of Resources*

The City reports the following items in this category:

**Government-wide Statement of Net Position**

Property tax for future periods. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

**Governmental Funds Balance Sheet**

Property tax for future periods. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

Unavailable revenue – fines. This amount represents the portion of fines receivable that does not meet the current financial resources criteria, and accordingly, will not be available until a future reporting period.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**D. Capital Assets.**

Capital asset activity for the year ended September 30, 2017 is as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Governmental Activities:</b>					
<i><u>Capital assets not being depreciated:</u></i>					
Land	\$ 7,848,661	\$ -	\$ -	\$ -	\$ 7,848,661
Construction in progress	1,887,317	-	-	(1,887,317)	-
Total capital assets, not being depreciated	9,735,978	-	-	(1,887,317)	7,848,661
<i><u>Capital assets being depreciated:</u></i>					
Buildings	22,643,307	-	-	13,351	22,656,658
Improvements other than buildings	25,349,764	-	-	635,308	25,985,072
Streets	23,194,931	-	-	1,238,658	24,433,589
Bridges	668,537	-	-	-	668,537
Machinery and equipment	14,382,496	599,247	-	421,375	15,403,118
Leased equipment	5,093,592	-	-	(421,375)	4,672,217
Total capital assets being depreciated	91,332,627	599,247	-	1,887,317	93,819,191
<i><u>Less Accumulated depreciation for:</u></i>					
Buildings	(4,384,057)	(477,322)	-	-	(4,861,379)
Improvements other than buildings	(6,164,230)	(310,391)	-	-	(6,474,621)
Streets	(11,069,760)	(485,816)	-	-	(11,555,576)
Bridges	(307,529)	(13,371)	-	-	(320,900)
Machinery and equipment	(11,969,051)	(302,575)	-	(265,468)	(12,537,094)
Leased equipment	(1,936,412)	(500,250)	-	265,468	(2,171,194)
Total accumulated depreciation	(35,831,039)	(2,089,725)	-	-	(37,920,764)
Total capital assets being depreciated, net	55,501,588	(1,490,478)	-	1,887,317	55,898,427
<b>Governmental activities capital assets, net</b>	<b>\$ 65,237,566</b>	<b>\$ (1,490,478)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,747,088</b>

Adjustments are made primarily for completed projects and for lease purchases paid off during the year.

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**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**D. Capital Assets. Continued**

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Business-type Activities:</b>					
<b><u>Capital assets, not being depreciated:</u></b>					
Land	\$ 401,636	\$ -	\$ -	\$ -	\$ 401,636
Construction in progress	598,525	433,716	-	-	1,032,241
Total capital assets, not being depreciated	1,000,161	433,716	-	-	1,433,877
<b><u>Capital assets, being depreciated:</u></b>					
Buildings	92,793	-	-	-	92,793
Water system	13,471,001	-	-	(42,012)	13,428,989
Sewer system	21,980,887	-	-	-	21,980,887
Machinery and equipment	2,215,023	119,741	-	42,012	2,376,776
Total capital assets, being depreciated	37,759,704	119,741	-	-	37,879,445
<b><u>Less: Accumulated depreciation for:</u></b>					
Buildings	(90,906)	(270)	-	-	(91,176)
Water system	(8,126,810)	(329,740)	-	7,561	(8,448,989)
Sewer system	(14,581,091)	(365,036)	-	-	(14,946,127)
Machinery and equipment	(2,158,689)	(27,031)	-	(7,561)	(2,193,281)
Total accumulated depreciation	(24,957,496)	(722,077)	-	-	(25,679,573)
Total capital assets being depreciated, net	12,802,208	(602,336)	-	-	12,199,872
<b>Business-type activities capital assets, net</b>	<b>\$ 13,802,369</b>	<b>\$ (168,620)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,633,749</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 129,499
Public safety	833,028
Public works	653,328
Health and welfare	69,039
Culture and recreation	404,831
Total depreciation expense-governmental activities	<u>\$ 2,089,725</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 722,077
Total depreciation expense-business-type activities	<u>\$ 722,077</u>

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**E. Interfund Receivables, Payables and Transfers.**

The composition of interfund balances as of September 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 423,300
General Fund	General Fund	562,969
General Fund	Water/Sewer Fund	118,040
Debt Service Fund	Water/Sewer Fund	405,350
Other Governmental Funds	Water/Sewer Fund	508,030
Other Governmental Funds	General Fund	776,155
Water/Sewer Fund	General Fund	1,978,908
Agency Fund	General Fund	163,063
Other Governmental Funds	Agency Fund	310,204
Water/ Sewer Improvements Fund	General Fund	16,691
Total		<u><u>\$ 5,262,710</u></u>

Some interfund payables are due to costs of shared projects and loans.

Other loans are temporary operating loans.

**Interfund Transfers:**

**Transfer out:**

Other Governmental Funds	\$ 23,190
Water/Sewer Fund	260,072
Total transfers out	<u><u>\$ 283,262</u></u>

**Transfer in:**

General Fund	\$ 23,190
Debt Service Fund	260,072
Total transfers in	<u><u>\$ 283,262</u></u>

Transfers are made primarily for debt service, internal service charges and to distribute receipts from the State that are deposited into the General Fund.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**F. Leases.**

**Capital Leases.**

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in the governmental activities. These lease agreements qualify as capital leases for accounting purpose and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The City is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

Asset:	Governmental Activities
Machinery and equipment	\$ 4,672,217
Less: Accumulated depreciation	<u>(2,171,194)</u>
Total	<u>\$ 2,501,023</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 are as follows:

<u>Year Ending September 30:</u>	Governmental Activities
2018	\$ 634,955
2019	529,027
2020	505,195
2021	399,595
2022	298,588
2023-2027	<u>970,992</u>
Total minimum lease payments	3,338,352
Less: amount representing interest	<u>(417,483)</u>
Present value of minimum lease payments	<u>\$ 2,920,869</u>

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**G. Long-term Debt.**

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Tax increment financing bonds and special assessment bonds will be repaid from incremental taxes and special assessments on the subject property and not the full faith and credit of the City. Bonds currently outstanding are as follows:

**Bonds**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	0.9%-5.95%	\$ 17,037,427
Unamortized premium		40,031
Business-type activities	0.9%-4.0%	2,921,268
Unamortized premium		19,531
		<u>\$ 20,018,257</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,585,492	\$ 566,389	\$ 209,509	\$ 113,209
2019	1,410,609	517,056	219,392	103,170
2020	1,430,727	471,133	229,275	94,280
2021	1,495,844	423,059	239,157	84,868
2022	5,944,944	370,768	251,016	74,847
2023-2027	4,511,120	1,373,587	1,425,058	217,134
2028	-	-	347,861	10,024
Total	<u>\$ 16,378,736</u>	<u>\$ 3,721,992</u>	<u>\$ 2,921,268</u>	<u>\$ 697,532</u>

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**G. Long-term Debt. Continued**

**Special Assessment Bonds**

The City also issued special assessment debt in 1998 and 1999 to provide funds for the construction of streets and other infrastructure in a new commercial development. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The bonds have a stated rate of interest of 5.1% and 4.9% and are payable in equal installments of principal.

Annual debt service requirements to maturity for special assessment bonds are as follows:

**Year Ending September 30:**

		<b><u>Governmental Activities</u></b>	
		<b><u>Principal</u></b>	<b><u>Interest</u></b>
2018		\$ 106,000	\$ 5,298
	Total	<u>\$ 106,000</u>	<u>\$ 5,298</u>

**Tax Increment Financing Bonds**

The City also issues bonds where the City pledges incremental increases in ad valorem and sales tax receipts from the property benefiting from infrastructure improvements financed by the bonds to pay debt service.

Tax increment financing bond debt service requirements to maturity are as follows:

**Year Ending September 30:**

		<b><u>Governmental Activities</u></b>	
		<b><u>Principal</u></b>	<b><u>Interest</u></b>
2018		\$ 261,455	\$ 30,134
2019		64,872	16,604
2020		68,607	12,868
2021		39,112	8,915
2022		41,262	6,763
2023-2024		77,383	6,587
	Total	<u>\$ 552,691</u>	<u>\$ 81,871</u>

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – Continued**

**G. Long-term Debt. Continued**

**Certificates of Participation**

In accordance with Section 31-8-1, et seq. Miss. Code Ann. (1972), the City issued Certificates of Participation and transferred the proceeds to the Central Mississippi Public Improvement Corporation (Corporation). The funds were used to construct a new Public Safety complex. At completion, the Corporation entered into a 20-year agreement with the City, with the City being obligated to make payments to the corporation equal to the principal and interest on the debt. When the debt is paid, the City will assume ownership of the facility. The obligation is not a general obligation and does not constitute a pledge of full faith and credit of the City. There is an unamortized premium associated with this issue of \$71,120 which is not included in the principal in the following schedule:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 285,000	\$ 198,712
2019	290,000	193,013
2020	300,000	184,313
2021	305,000	175,313
2022	315,000	166,163
2023-2027	1,725,000	683,063
2028-2032	2,090,000	327,917
2033	465,000	16,856
Total	<u>\$ 5,775,000</u>	<u>\$ 1,945,350</u>

**Loans Payable**

The City has received several loans from the state of Mississippi and banks to finance various projects including infrastructure, fire stations and water/sewer improvements. These loans are made under various programs, some of which have federal participation.

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**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – Continued**

**G. Long-term Debt. Continued**

**Loans Payable -continued**

The City has a note payable to Bloomfield Equities, LLC. As part of the development of the Urban Renewal District which comprised the Trustmark Park Stadium, Bass Pro Shop and Sam's Club, the City agreed, through various instruments, to pledge sales and ad valorem taxes generated from these businesses to the developer, Bloomfield Equities, LLC to be used for debt service on the Taxable Urban Renewal Revenue Bonds. In addition, the State of Mississippi agreed to pay an amount not to exceed \$17,797,887 from all the sales tax generated from these businesses including the amount that would normally be diverted to the City. Until this amount was paid to the developer, the City did not receive any of the normal diversions from the State. In 2013, the State met its obligation and started diverting to the City its share of sales tax revenue collected from these businesses. However, it appears that the City did not become aware that the State had started these diversions and as a result did not remit them to the developer. In 2014, the City began remitting estimated payments to the developer for the amounts of diversion received. In 2016, both the developer and the City calculated the amount of the underpayment which was primarily from the years 2011, 2012, and 2013 and reached an agreement for repayment of that underpayment.

The agreement, dated August 10, 2016, requires the city to repay \$4,433,165. The City will begin making payments on this debt in monthly installments of \$54,321 commencing January 1, 2018, with final payment of the balance on November 1, 2024. There is no interest on this debt. At September 30, 2017, the balance of this debt is \$4,433,165.

Loans currently outstanding are as follows:

<b>Governmental Activities:</b>		
Capital Improvement (CAP)	3.0%-4.25%	\$ 586,483
<b>Mississippi Development Bank-</b>		
Trustmark	3.02%-6.15%	4,315,000
Community Bank	1.35%-1.68%	479,750
Copiah Bank	1.79%	875,000
Bloomfield Equities, LLC	0.00%	4,433,165
Total Governmental Activities		<u>10,689,398</u>
<b>Business-type Activities:</b>		
Capital Improvement (CAP)	3.0%-4.25%	623,696
<b>Mississippi Development of Health Drinking</b>		
Water Systems Improvements		
Revolving Loan Fund (DWSIRLF)	3.00%	2,934,415
Total Business-type Activities		<u>3,558,111</u>
Total		<u>\$ 14,247,509</u>

City of Pearl, Mississippi  
Notes to the Financial Statements  
For the Year Ended September 30, 2017

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – Continued**

**G. Long-term Debt. Continued**

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,758,129	\$ 146,505	\$ 298,776	\$ 54,578
2019	1,469,818	123,773	333,295	48,574
2020	1,475,645	107,193	336,011	40,263
2021	1,352,086	80,413	296,870	32,795
2022	1,566,852	65,688	270,984	27,102
2023-2027	3,066,868	89,707	1,026,888	97,813
2028-2032	-	-	791,707	16,385
2033-2036	-	-	203,580	-
Total	<u>\$ 10,689,398</u>	<u>\$ 613,279</u>	<u>\$ 3,558,111</u>	<u>\$ 317,510</u>

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued**

**G. Long-term Debt. Continued**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 18,069,106	\$ -	\$ (1,690,370)	\$ 16,378,736	\$ 1,585,492
Special assessment bonds	227,000	-	(121,000)	106,000	106,000
Tax increment financing bonds	800,581	-	(247,890)	552,691	261,455
Certificates of participation	6,055,000	-	(280,000)	5,775,000	285,000
Unamortized premiums-GO bonds	44,432	-	(4,401)	40,031	4,400
Unamortized premiums-certificates of participation	75,708	-	(4,588)	71,120	4,588
Total bonds payable	<u>25,271,827</u>	<u>-</u>	<u>(2,348,249)</u>	<u>22,923,578</u>	<u>2,246,935</u>
Capital leases	3,592,514	-	(671,645)	2,920,869	634,955
Loans payable	10,973,947	1,000,000	(1,284,549)	10,689,398	1,758,129
Compensated absences	341,177	-	(73,860)	267,317	-
<b>Governmental activity</b>					
<b>Long-term liabilities</b>	<u>\$ 40,179,465</u>	<u>\$ 1,000,000</u>	<u>\$ (4,378,303)</u>	<u>\$ 36,801,162</u>	<u>\$ 4,640,019</u>
<b>Business-type Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 3,120,880	\$ -	\$ (199,612)	\$ 2,921,268	\$ 209,509
Unamortized premiums	21,495	-	(1,964)	19,531	1,954
Total bonds payable	<u>3,142,375</u>	<u>-</u>	<u>(201,576)</u>	<u>2,940,799</u>	<u>211,463</u>
Loans payable	3,397,776	433,716	(273,381)	3,558,111	298,776
Compensated payable	35,936	199	-	36,135	-
<b>Business-type activity</b>					
<b>Long-term liabilities</b>	<u>\$ 6,576,087</u>	<u>\$ 433,915</u>	<u>\$ (474,957)</u>	<u>\$ 6,535,045</u>	<u>\$ 510,239</u>

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**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – Continued**

**G. Long-term Debt. Continued**

**Legal Debt Margin** – The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessments for taxation. As of September 30, 2017, the amount of outstanding debt was equal to 4.97% of the latest property assessments.

**Defeasance of Debt:**

In fiscal year 2015, the City issued bonds to refund portions of an earlier issue. The bonds refunded had call provisions to allow the City to pay off portions of the outstanding balances. The proceeds of the refunding bond were transferred to an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2017, \$2,890,000 of bonds outstanding are considered defeased.

**Summary of Refunding**

**Refunding Issue:**

<u>Date</u>	<u>Description</u>	<u>Issue Amount</u>
December 11, 2014	City of Pearl, Mississippi \$3,330,000 General Obligation Refunding Bonds, Series 2014	\$ 3,330,000

**Refunded Issue:**

<u>Date</u>	<u>Description</u>	<u>Original Issue</u>	<u>Amount Defeased</u>	<u>Non-refunded Balance at 9/30/2017</u>
November 15, 2007	Mississippi Development Bank Special Obligation Bonds, Series 2007	\$ 10,525,000	\$ 2,890,000	\$ 4,594,986

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 5 – OTHER INFORMATION**

**A. Risk Financing.**

The City minimizes its risk of loss for workers compensation, employee health, and property and liability through the purchase of commercial insurance.

**B. Contingencies.**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any to be immaterial.

A pledge agreement dated December 1, 2004, was executed between the City and the Trustee in connection with the issuance by the City of Pearl Taxable Urban Renewal Revenues Bonds, Series 2004A, 2004B and 2004C. Those bonds are described in Note F. The City, in the agreement, has agreed to pay on an annual basis, any revenue deficit up to \$800,000 per year on the combination of amounts owed to Bloomfield Equities, LLC from specific revenues generated from the property so that the amount of \$800,000 per year will be available from the various revenue sources for debt service on the Series 2004A and Series 2004B bonds.

In addition, the Rankin County Board of Supervisors entered into an agreement with the City of Pearl to pledge to the City \$320,000 per year for partial payment of the City's obligations described herein. In 2017, the City paid Bloomfield Equities, LLC \$619,048 under this agreement. In 2017, the Rankin County Board of Supervisors paid the \$320,000.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**C. Jointly Governed Organizations.**

**West Rankin Utility Authority**

The City entered into an agreement on February 24, 1977, with the City of Jackson, the implementing agency for the West Rankin Regional Wastewater System, to pay an annual payment representing its proportionate share of the debt service required to pay back a revenue bond issued by the City of Jackson for the construction of the West Rankin Regional Wastewater System to pay its proportionate share of the City of Jackson's wastewater treatment costs and to pay its proportionate share of other costs related to the West Rankin Regional Wastewater System.

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**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 5 – OTHER INFORMATION - Continued**

**C. Jointly Governed Organizations. Continued**

In 2002, the City, along with other cities and governing authorities in Rankin County, created the West Rankin Utility Authority (a political subdivision of the State) to acquire the System from the City of Jackson. The Authority will maintain and operate the System and charge its customers for use of the System. Jackson will charge the authority for wastewater treatment at its treatment facility. The City's annual payment shall be the percentage of the total annual costs as determined by dividing the City's wastewater volume contributed to the System in the prior year by all the wastewater volume for all contraction parties. Adjustments for variances between actual and prior year's usage are to be determined annually and appropriate adjustments are to be made to each contracting party's account.

From October, 2016 through September 2017, the City paid \$3,201,402. For the twelve-month period beginning October 1, 2017, the City's annual financial responsibility will be \$3,224,364.

**Pearl-Richland Intermodal Connector Commission**

The Pearl-Richland Intermodal Connector Commission was established by interlocal agreement between the Cities of Pearl and Richland, dated November 1, 2005, to cooperate together to more efficiently and effectively utilize their governmental power and authority in connection with and in order to accomplish the planning, design, funding, acquisition of right-of-way for, construction, operation, maintenance and implementation of transportation connections and road systems connecting the two cities, including without limitation the Pearl-Richland Interlocal Connector and other projects linking U.S. Highway 80, U.S. Interstate 20 and U.S. Highway 49 in Rankin County. The commission will consist of two members, one from each city, who shall be either the mayor of the city or his designee.

For the year ended September 30, 2017, the City is due a reimbursement of \$764,699 from the Commission for funds loaned to the Commission to cover expenditures not yet reimbursed by the State.

**D. Note Receivable.**

In 1998, the City received a grant from the United States Department of Housing and Urban Development for the construction of a senior citizens apartment complex. The grant provides funds for a long-term loan to the developer of this project. The apartment complex is collateral on the loan. Repayment begins the first month after the final payment on this mortgage loan in the year 2036 with payments of \$1,786 per month. The current balance of the note receivable is \$474,000.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 6 – PENSION PLAN OBLIGATIONS**

**General Information about the Pension Plan**

**Plan Description**

The City of Pearl is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the City. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

**Benefits Provided**

For the cost-sharing plan, 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 annual retirement allowance payable monthly for life in an amount equal to 2.00% 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 2.50% 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefits are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 6 –PENSION PLAN OBLIGATIONS -Continued**

**General Information about the Pension Plan- Continued**

**Contributions**

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended September 30, 2017, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the year ended September 30, 2017, 2016, and 2015 were \$1,545,812, \$1,533,794, and \$1,426,817 respectively, equal to the required contributions for each year.

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

At September 30, 2017, the City of Pearl reported a liability of \$25,205,554 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City of Pearl's proportion was .151627% which was an increase .006% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City of Pearl recognized pension expense of \$3,224,792.

At September 30, 2017, the City of Pearl reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 258,065	\$ 131,068
Net difference between projected and actual earnings on pension plan investments	-	258,896
Changes in assumptions	399,238	30,608
Contributions subsequent to the measurement date	464,707	-
Changes in Proportion and differences between the City's Contributions and Proportionate Share of Contributions	1,103,992	-
	<u>\$ 2,226,002</u>	<u>\$ 420,572</u>



**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 6 – PENSION PLAN OBLIGATIONS - Continued**

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

At September 30, 2017, the City of Pearl reported \$464,707 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30:</u>	<u>Amount</u>
2018	\$ 462,720
2019	462,720
2020	415,283
Total	<u>\$ 1,340,723</u>

**Actuarial Assumptions**

The total pension liability used in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.00%
Salary increases	3.75%-19.00%, average, including inflation
Investment rate of return	7.75%, 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 2022, set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016. The experience report is dated April 18, 2017.

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.

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 6 – PENSION PLAN OBLIGATIONS - Continued**

**Actuarial Assumptions -Continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
U. S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	.75
Real estate	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	0.00
	100.00 %	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (15.75%). 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 members. 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 City of Pearl's Proportionate Share of the Net Pension Liability to changes in the Discount Rate**

The City of Pearl's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the City of Pearl's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 33,058,766	\$ 25,205,554	\$ 18,685,681

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 6 – PENSION PLAN OBLIGATIONS - Continued**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at [www.pers.ms.gov](http://www.pers.ms.gov).

**Payable to the Pension Plan**

At September 30, 2017, the City of Pearl has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2017.

**NOTE 7 – NO COMMITMENT DEBT**

In August 1999, the City issued mortgage revenue bonds to provide for the cost of acquisition and renovation of a 120-unit apartment project-Rankin Square. The bonds are secured by project receipts, project mortgage, deed of trust and other security as described in the bond indenture. The bonds are payable solely from receipts of the project. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2012, the principal amount payable was \$3,685,000, which is the original issue amount. The bonds are in default. On November 14, 2011, the trustee was directed by the District Court of Minnesota to sell the property and disburse the proceeds in full settlement of the outstanding debt.

**Taxable Urban Renewal Revenue Bonds**

In 2004 and 2005, bonds were issued by the City to finance construction of the baseball stadium, the Bass Pro shop site, and other related projects. They are to be repaid solely from the various revenues generated by the projects including incremental increases in property taxes and sales taxes that may result from construction and operations of the projects. The bonds do not constitute a debt of the City and, accordingly, have not been reported in the accompanying financial statements.

These bonds issues are:

<u>Title</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Issue Amount</u>	<u>Current Balance</u>
Taxable Urban Renewable Revenue Refunding Bond, Series 2013	5/5/2015	11/1/2034	\$ 10,000,000	\$ 10,000,000
Taxable Urban Renewable Revenue Refunding Bond, Series 2016	8/10/2016	11/1/2024	\$ 14,110,000	\$ 12,195,000
Taxable Urban Renewable Revenue Refunding Bond, Series 2012	6/19/2012	11/1/2024	\$ 18,250,000	\$ 14,290,000

**City of Pearl, Mississippi**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**NOTE 8 – COMMITMENTS**

A pledge agreement dated December 1, 2004 was executed between the City and the Trustee in connection with the issuance by the City of Taxable Urban Renewal Revenue Bonds, Series 2004A, 2004B, and 2004C as described in Note G. The City, in the agreement, has agreed to pay Bloomfield Equities, LLC \$150,000 per year during the last ten years of the initial term of the agreement; such payments commencing on January 1, 2015, with such amounts to be used for debt service on the Series 2004A and 2004B bonds.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

The City, through a commercial insurance carrier, provides health, dental and group term life coverage to City employees to the limits established by the plan document. Since retirees may obtain health insurance under this plan by participating in a group with active employees and consequently receive an insurance premium rate differential, the City has a postemployment healthcare benefit reportable under GASB 45 as a single employer defined benefit healthcare plan. Effective October 1, 2008, the City implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The City does not issue a publicly available financial report for the plan. However, the City has not recorded a liability for other postemployment benefits nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

**NOTE 10 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The City of Pearl's governmental activities' unrestricted net position amount of (\$24,732,210), includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,996,185 balance of deferred outflow of resources at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

The City of Pearl's governmental activities unrestricted net position amount of (\$24,732,210), includes the effect of deferring the recognition of expenses resulting from an advanced refunding of city debt. The \$274,514 balance of the deferred outflow of resources at September 30, 2017, will be recognized as an expense and will decrease the unrestricted net position over the next ten years.

**NOTE 11 – 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 City of Pearl, Mississippi evaluated the activity of the City through September 7, 2018, (the date the financial statements were available to be issued) and determined that the following subsequent event requires disclosure in the notes to the financial statements:

On January 2, 2018, the City authorized a lease purchase of a 2016 Johnston RT655 Sweeper in the amount of \$188,996.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Pearl, Mississippi**  
**Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)**  
**General Fund - Unaudited**  
**For the Year Ended September 30, 2017**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual (Budgetary Basis)	
<b>REVENUES</b>				
Taxes	\$ 2,058,971	\$ 3,123,096	\$ 3,123,096	\$ -
Licenses and permits	414,000	244,570	244,570	-
Fines and forfeitures	3,139,000	1,410,480	1,410,480	-
Intergovernmental revenues	11,736,500	9,800,986	9,800,986	-
Charges for services	1,480,400	1,624,467	1,624,467	-
Miscellaneous revenues	2,174,000	2,072,555	2,072,555	-
Total Revenues	<u>21,002,871</u>	<u>18,276,154</u>	<u>18,276,154</u>	<u>-</u>
<b>EXPENDITURES</b>				
General government	3,351,492	3,170,677	3,170,677	-
Public safety	12,728,869	13,771,397	13,771,397	-
Public works	3,323,944	2,536,893	2,536,893	-
Health and welfare	533,272	428,171	428,171	-
Culture and recreation	1,349,357	1,195,927	1,195,927	-
Total Expenditures	<u>21,286,934</u>	<u>21,103,065</u>	<u>21,103,065</u>	<u>-</u>
(Deficiency) of revenues over Expenditures	<u>(284,063)</u>	<u>(2,826,911)</u>	<u>(2,826,911)</u>	<u>-</u>
Fund Balances - Beginning	<u>1,878,696</u>	<u>(924,509)</u>	<u>(924,509)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,594,633</u>	<u>\$ (1,208,572)</u>	<u>\$ (1,208,572)</u>	<u>\$ -</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

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**City of Pearl, Mississippi**  
**Schedule of the City's Proportionate Share**  
**of the Net Pension Liability**  
**For the Years Ended September 30, 2017, 2016, 2015, and 2014**

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	.151627%	.145462%	.144250%	.148952%
Employer's proportionate share of the net pension liability (asset)	\$ 25,205,554	\$ 25,983,146	\$ 22,298,205	\$ 18,080,045
Employer's covered payroll	\$ 9,814,679	\$ 9,738,374	\$ 9,059,156	\$ 9,104,921
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	256.81%	266.81%	246.14%	198.57%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

Information above is presented as of the measurement date of June 30 of the fiscal year presented.

Information is not currently available for prior years; additional years will be displayed as they become available.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

**City of Pearl, Mississippi**  
**Schedule of the City's Contributions**  
**For the Years Ended September 30, 2017, 2016, and 2015**

	2017	2016	2015
Contractually required contribution	\$ 1,545,812	\$ 1,533,794	\$ 1,426,817
Contributions in relation to the contractually required	<u>(1,545,812)</u>	<u>(1,533,794)</u>	<u>(1,426,817)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 9,814,679	\$ 9,738,374	\$ 9,059,156
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

Information above is presented as of the Employer's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.



**City of Pearl, Mississippi**  
**Notes to the Required Supplementary Information-Unaudited**  
**For the Year Ended September 30, 2017**

**a.) Budgetary Information**

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

**b.) Basis of Presentation**

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

**c.) Budget/GAAP Reconciliation**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	Governmental Fund Type <u>General Fund</u>
Net Changes in fund Balance-Budget (Cash Basis)	\$ (2,826,911)
Increase (decrease):	
Net adjustments for revenue and expense accruals	<u>2,289,151</u>
Net Change in Fund Balance GAAP Basis	<u>\$ (537,760)</u>

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**City of Pearl, Mississippi**  
**Notes to Required Supplementary Information-Unaudited**  
**For the Year Ended September 30, 2017**

**d.) Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.**

**Changes of Assumptions.**

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015

- 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.
- 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 services retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**Changes in Benefit Provisions.**

2016

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

## **OTHER INFORMATION**

**City of Pearl, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials - Unaudited**  
**September 30, 2017**

<b>Name</b>	<b>Position</b>	<b>Surety Agency</b>	<b>Bond</b>
Jake Windham	Mayor	Scott Insurance	\$ 100,000
Johnny F. Steverson Sr	Alderman	Scott Insurance	100,000
David B. Lockett	Alderman	Scott Insurance	100,000
James W. Thompson	Alderman	Scott Insurance	100,000
Gavin Gill	Alderman	Scott Insurance	100,000
John McHenry	Alderman	Scott Insurance	100,000
Kenneth Michael Sartor	Alderman	Scott Insurance	100,000
Casey S. Foy	Alderman	Scott Insurance	100,000
Kelly Scouten	City Clerk	Travelers Casualty & Surety	100,000
Ronnie Connerly	Chief of Police	Travelers Casualty & Surety	50,000
Teresa Wade	Deputy City Clerk	Travelers Casualty & Surety	50,000
Kayla Collins	Deputy City Clerk	Travelers Casualty & Surety	50,000
Christi Jenkins	Court Clerk	Travelers Casualty & Surety	50,000
Kathy Curry	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Shanna Gentry	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Meagon Bilbro	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Melissa Lovom	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Carol Ishee	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Aletha White	Executive Office Manager	Travelers Casualty & Surety	50,000
Pamela Malone	Accounting Supervisor	Travelers Casualty & Surety	50,000
Amanda Parson	Office Manager	Travelers Casualty & Surety	50,000
Teresa Wilson	Assistant Office Manager	Travelers Casualty & Surety	50,000
Terry Welsh	Water Billing Clerk	Travelers Casualty & Surety	50,000
Judy Grimes	Water Billing Clerk	Travelers Casualty & Surety	50,000
Hazel Rogers	Water Billing Clerk	Travelers Casualty & Surety	50,000
Billy Jordan	Auto Maintenance	Travelers Casualty & Surety	50,000
Paul Oliver	Director of Community Development	Travelers Casualty & Surety	50,000
Otis Myers	Director of Golf	Travelers Casualty & Surety	50,000
Ruth Gullette	Senior Programs Director	Travelers Casualty & Surety	50,000
Angela Jones	Senior Programs Assistant Director	Travelers Casualty & Surety	50,000
Ricky Steen	Assistant Police Chief	Travelers Casualty & Surety	50,000
Dean Scott	Assistant Police Chief	Travelers Casualty & Surety	50,000
Archie Bennett	Police Sgt/Deposit	Travelers Casualty & Surety	50,000
Name Schedule	Police Officers	Travelers Casualty & Surety	50,000
Name Schedule	Dispatchers	Travelers Casualty & Surety	50,000
Jacqueline Parker	Parks and Recreation Clerk	Travelers Casualty & Surety	50,000
William Sutton	Building Inspector	Travelers Casualty & Surety	50,000
Lakeisha Love	Events Coordinator	Travelers Casualty & Surety	50,000

## **SPECIAL REPORTS**

## HERZOG CPA COMPANY, PLLC

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Phone 601-271-8860 • Fax 601-271-8921

145 Republic Street • Suite 211 • Madison, Mississippi 39110

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

Honorable Mayor, Members of the  
Board of Aldermen, and City Clerk  
City of Pearl, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 7, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pearl, Mississippi's internal control over financial reporting 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006 to be material weaknesses.

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### Compliance and Other Matters

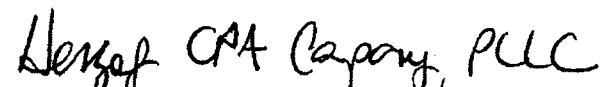
As part of obtaining reasonable assurance about whether the City of Pearl, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

### City of Pearl, Mississippi's Response to Findings

The City of Pearl, Mississippi's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

### Purpose of this Report

This report is intended solely for the information and use of management, the Board of Aldermen, federal awarding agencies, 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.

  
Herzog CPA Company, PLLC  
September 7, 2018

## HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

12 98 Place Boulevard • P.O. Box 17986 • Hattiesburg, Mississippi 39404

Phone 601-271-8860 • Fax 601-271-8921

145 Republic Street • Suite 211 • Madison, Mississippi 39110

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### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

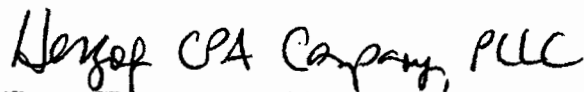
Honorable Mayor, Members of the  
Board of Aldermen and City Clerk  
City of Pearl, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon September 7, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of non-compliance with state laws and regulations.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Herzog CPA Company, PLLC

September 7, 2018



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

RECEIVED

OCT 04 2018

**City of Pearl, Mississippi**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2017**

**Section 1: Summary of Auditors' Results**

***Financial Statements:***

- |    |  |               |
|----|--|---------------|
| 1. | Type of Auditors' report issued on the primary government financial statements:          |               |
|    | Governmental Activities  | Qualified     |
|    | Business-type Activities   | Qualified     |
|    | General Fund   | Unmodified    |
|    | Debt Service Fund  | Unmodified    |
|    | Aggregate remaining fund information   | Unmodified    |
| 2. | Internal control over financial reporting:   |               |
|    | a. Material weakness identified?   | Yes           |
|    | b. A significant deficiency identified that is not considered to be a material weakness? | None reported |
| 3. | Noncompliance material to the primary government financial statements?                   | No            |

**City of Pearl, Mississippi**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2017**

**Section 2: Financial Statement Findings**

**2017-001. Finding**

**Significant Deficiency- Material Weakness.**

As reported in the prior year, effective October 1, 2008, the City implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. However, the City has not recorded a liability for other postemployment benefits, nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The City did not have internal controls in place to determine the liability associated with other postemployment benefits.

**Recommendation:** The City should develop procedures to determine the liability associated with other postemployment benefits and report that liability in its financial statements.

**Response:** We believe that the costs associated with determining the liability associated with postemployment benefits, particularly the cost of hiring actuaries to determine the liability, would be prohibitive given the budget constraints faced by the City. City management believes that the expenditures associated with compliance would be better spent providing needed services to citizens. Additionally, City management believes the postemployment benefit liability would not be significant to the financial statements.

**2017-002. Finding**

**Significant Deficiency- Material Weakness.**

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. The City did not have adequate internal controls over identification and correction of duplicate checks written in prior years. Such a deficiency prevents management and employees from preventing or detecting and correcting misstatements.

**Recommendation:** The City should develop procedures to properly remove duplicate checks including old outstanding checks.

**Response:** The City will address these concerns by implementing controls and monitoring their application.

**City of Pearl, Mississippi**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2017**

2017-003. Finding

Significant Deficiency- Material Weakness.

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. The City discovered during the prior year that the reports generated by the court fine management software were not accurately reporting the amounts of fines, fees, and assessments. The City's software lost data for fines receivable and cash bonds. Therefore, it was not possible to verify the balances of these two accounts.

Recommendation: The City should take steps improve procedures for recording information generated by the reports and develop internal controls to prevent or detect correct these errors on a timely basis. These procedures should include reconciling the new fines and cash bonds added and payments made on all accounts.

Response: The City will address these concerns by implementing controls and monitoring their application.

2017-004. Finding

Significant Deficiency- Material Weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. The Police Seizure Cash Account does not have the cash in the bank to cover the seizure liability at September 30, 2017. Procedures should be in place to insure that a proper cash balance is maintained to cover the seizure liability.

Recommendation: The City should transfer cash to the police seizure cash account to cover the seizure liability.

Response: The City will address this issue by implementing controls and monitoring their application.

**City of Pearl, Mississippi**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2017**

2017-005. Finding

Significant Deficiency- Material Weakness.

The City does not require a signature on receiving reports for purchases. Therefore, it is difficult to determine if goods were received.

Recommendation: The City should require signatures on all receiving reports.

Response: The City will comply in the future.

2017-006. Finding

Significant Deficiency- Material Weakness.

The City overpaid the Public Employees Retirement System by \$48,462 in the year ended September 30, 2017. The overpayment was a result of a miscalculation of retiree amounts.

Recommendation: The City should implement procedures for the review of payroll input information.

Response: The City will comply in the future.



JAKE WINDHAM  
MAYOR

KELLY SCOUTEN  
CITY CLERK

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DAVID LUCKETT - District 1  
MICHAEL SARTOR - District 2  
JOHNNY STEVERSON - District 3  
CASEY FOY - District 4  
JAMES THOMPSON - District 5  
GAVIN GILL - District 6

October 9, 2018

Office of the State Auditor  
P.O. Box 956  
Jackson, MS 39205

Re: Annual Municipal Audit

Accompanying this letter is two (2) copies of the annual audit of the City of Pearl, Mississippi, for the fiscal year ended September 30, 2017. A Separate management letter was not written to the City of Pearl in connection with this audit. The Municipal Compliance Questionnaire is also enclosed.

Please do not hesitate to contact me should you have any questions.

Sincerely,

Kelly Scouten, CMC  
City Clerk

OCT 15 2018