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Audited Financial Statements  
For the Year Ended June 30, 2017

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

# Pearl River County School District

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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pearl River County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pearl River County School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 16 and 52 to 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl River County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare

the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018, on our consideration of the Pearl River County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Pearl River County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearl River County School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
May 17, 2018

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

The following discussion and analysis of Pearl River County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2017 decreased \$1,724,801, including a prior period adjustment of (\$128,609), which represents a 16% decrease from fiscal year 2016. Total net position for 2016 decreased \$208,756, including a prior period adjustment of (\$16,532), which represents a 2% decrease from fiscal year 2015.
- General revenues amounted to \$21,532,360 and \$21,769,693, or 84% and 83% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,191,633, or 16% of total revenues for 2017, and \$4,486,500, or 17% of total revenues for 2016.
- The District had \$27,320,185 and \$26,448,417 in expenses for fiscal years 2017 and 2016; only \$4,191,633 for 2017 and \$4,486,500 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,532,360 for 2017 and \$21,769,693 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$21,325,520 in revenues and \$20,583,183 in expenditures for 2017, and \$21,481,749 in revenues and \$21,577,724 in expenditures in 2016. The General Fund's fund balance increased by \$129,157 from 2016 to 2017, including a prior period adjustment of (\$128,609), and decreased by \$529,358 from 2015 to 2016, including a prior period adjustment of (\$632).
- Capital assets, net of accumulated depreciation, decreased by \$457,301 for 2017 and increased by \$411,339 for 2016. The decrease for 2017 was due primarily to the increase in accumulated depreciation.
- Total long-term debt, excluding bond premium, decreased by \$836,049 for 2017 and decreased by \$823,890 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,986 for 2017 and decreased by \$19,409 for 2016.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$12,362,103 as of June 30, 2017.

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

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

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 5,995,808	\$ 5,888,980	1.81 %	\$ 133	\$ -	N/A %
Restricted assets	423,581	524,054	(19.17) %	-	-	N/A %
Capital assets, net	13,641,250	14,098,551	(3.24) %	-	-	N/A %
<b>Total assets</b>	<b>20,060,639</b>	<b>20,511,585</b>	<b>(2.20) %</b>	<b>133</b>	<b>-</b>	<b>N/A %</b>
<b>Deferred outflows of resources</b>	<b>9,308,527</b>	<b>8,080,888</b>	<b>15.19 %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
Current liabilities	321,868	293,073	9.83 %	-	-	N/A %
Long-term debt outstanding	1,274,550	2,110,939	(39.62) %	-	-	N/A %
Net pension liability	38,395,259	34,327,488	11.85 %	-	-	N/A %
<b>Total liabilities</b>	<b>39,991,677</b>	<b>36,731,500</b>	<b>8.88 %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Deferred inflows of resources</b>	<b>1,739,725</b>	<b>2,498,275</b>	<b>(30.36) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>						
Net investment in capital assets	13,226,284	12,916,059	2.40 %	-	-	N/A %
Restricted	1,334,307	1,488,107	(10.34) %	133	-	N/A %
Unrestricted	(26,922,827)	(25,041,468)	(7.51) %	-	-	N/A %
<b>Total net position (deficit)</b>	<b>\$ (12,362,236)</b>	<b>\$ (10,637,302)</b>	<b>(16.22) %</b>	<b>\$ 133</b>	<b>\$ -</b>	<b>N/A %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (26,922,827)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	30,850,168
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,927,341</u>

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

- Decrease in net capital assets in the amount of \$457,301.
- The principal retirement of \$833,063 of long-term debt.
- Recognition of the net pension liability in the amount of \$38,395,259.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$25,723,993 and \$26,256,193, respectively. The total cost of all programs and services was \$27,320,185 for 2017 and \$26,448,417 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

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

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 776,824	957,611	(18.88) %	\$ 39,805	\$ 41,845	(4.88) %
Operating grants and contributions	3,375,004	3,487,044	(3.21) %	-	-	N/A %
General revenues:						
Property taxes	5,825,703	5,623,571	3.59 %	-	-	N/A %
Grants and contributions not restricted	15,358,871	15,486,456	(0.82) %	-	-	N/A %
Investment earnings	33,786	32,586	3.68 %	-	-	N/A %
Sixteenth section sources	65,792	219,613	(70.04) %	-	-	N/A %
Other	248,208	407,467	(39.09) %	-	-	N/A %
<b>Total revenues</b>	<b>25,684,188</b>	<b>26,214,348</b>	<b>(2.02) %</b>	<b>39,805</b>	<b>41,845</b>	<b>(4.88) %</b>
<b>Expenses:</b>						
Instruction	12,442,004	12,659,125	(1.72) %	-	-	N/A %
Support services	8,979,163	9,128,361	(1.63) %	-	-	N/A %
Non-instructional	1,486,348	1,400,449	6.13 %	-	-	N/A %
Sixteenth section	58,520	36,280	61.30 %	-	-	N/A %
Pension expense	4,247,099	3,081,337	37.83 %	-	-	N/A %
Interest on long-term liabilities	67,379	94,228	(28.49) %	-	-	N/A %
Early Childhood Development Center	-	-	N/A %	39,672	48,637	(18.43) %
<b>Total expenses</b>	<b>27,280,513</b>	<b>26,399,780</b>	<b>3.34 %</b>	<b>39,672</b>	<b>48,637</b>	<b>(18.43) %</b>
<b>Increase (Decrease) in net position</b>	<b>(1,596,325)</b>	<b>(185,432)</b>	<b>(760.87) %</b>	<b>133</b>	<b>(6,792)</b>	<b>101.96 %</b>
<b>Net Position (Deficit), July 1, as previously reported</b>	<b>(10,637,302)</b>	<b>(10,435,338)</b>	<b>(1.94) %</b>	<b>-</b>	<b>6,792</b>	<b>(100.00) %</b>
<b>Prior Period Adjustment</b>	<b>(128,609)</b>	<b>(16,532)</b>	<b>(677.94) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position (Deficit), July 1, as restated</b>	<b>(10,765,911)</b>	<b>(10,451,870)</b>	<b>(3.00) %</b>	<b>-</b>	<b>6,792</b>	<b>(100.00) %</b>
<b>Net Position (Deficit), June 30</b>	<b>\$ (12,362,236)</b>	<b>\$ (10,637,302)</b>	<b>(16.22) %</b>	<b>\$ 133</b>	<b>\$ -</b>	<b>N/A %</b>

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Governmental activities**

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

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 12,442,004	\$ 12,659,125	(1.72) %
Support services	8,979,163	9,128,361	(1.63) %
Non-instructional	1,486,348	1,400,449	6.13 %
Sixteenth section	58,520	36,280	61.30 %
Pension Expense	4,247,099	3,081,337	37.83 %
Interest on long-term liabilities	67,379	94,228	(28.49) %
<b>Total expenses</b>	<b>\$ 27,280,513</b>	<b>\$ 26,399,780</b>	<b>3.34 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (11,113,676)	\$ (10,803,950)	(2.87) %
Support services	(7,659,763)	(7,990,256)	4.14 %
Non-instructional	17,752	28,715	(38.18) %
Sixteenth section	(58,520)	(14,069)	(315.95) %
Pension Expense	(4,247,099)	(3,081,337)	(37.83) %
Interest on long-term liabilities	(67,379)	(94,228)	28.49 %
<b>Total net (expense) revenue</b>	<b>\$ (23,128,685)</b>	<b>\$ (21,955,125)</b>	<b>(5.35) %</b>

- Net cost of governmental activities (\$23,128,685 for 2017 and \$21,955,125 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$5,825,703 for 2017 and \$5,623,571 for 2016) and state and federal revenues (\$15,358,871 for 2017 and \$15,486,456 for 2016). In addition, there was \$65,792 and \$219,613 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$33,786 for 2017 and \$32,586 for 2016.

**Business-type activities**

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

**PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Early Childhood Development Center	\$ 39,672	\$ 48,637	(18.43) %
<b>Total expenses</b>	<b>\$ 39,672</b>	<b>\$ 48,637</b>	<b>(18.43) %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Early Childhood Development Center	\$ 133	\$ (6,792)	101.96 %
<b>Total net (expense) revenue</b>	<b>\$ 133</b>	<b>\$ (6,792)</b>	<b>101.96 %</b>

- Net cost of business-type activities (\$133 net revenue for 2017 and \$6,792 net expense for 2016) was financed by charges for services, which includes tuition from individuals (\$39,805 for 2017 and \$41,845 for 2016).

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,103,509, a decrease of \$31,819, which includes a prior period adjustment of (\$128,609) and a decrease in inventory of \$8,973. \$4,614,641, or 76% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$1,488,868, or 24% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$129,157, which includes a prior period adjustment of (\$128,609). The fund balance of Other Governmental Funds showed a decrease in the amount of \$226,563, which includes a decrease in inventory of \$8,973. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
EHA Part B Fund	no increase or decrease
1997 Bond Issue Retirement Fund	\$ 65,587

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

**PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

As the District completed the year, the proprietary fund reported a cash and cash equivalent balance of \$133 on the Statement of Net Position for the proprietary fund. Expenses related to the operation of the Early Childhood Development Center totaled \$39,672 and were funded by tuition paid by individuals in the amount of \$39,805.

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$24,286,315, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$173,427 from 2016, due primarily to the completion of improvements other than buildings and the purchase of various items of mobile equipment. Total accumulated depreciation as of June 30, 2017, was \$10,645,065, and total depreciation expense for the year was \$689,030, resulting in total net capital assets of \$13,641,250.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 759,736	\$ 759,736	- %
Buildings	9,729,190	10,014,416	(2.85) %
Building improvements	924,902	1,014,351	(8.82) %
Improvements other than buildings	1,154,795	1,120,766	3.04 %
Mobile equipment	984,587	1,045,729	(5.85) %
Furniture and equipment	88,040	143,553	(38.67) %
<b>Total</b>	<u><u>\$ 13,641,250</u></u>	<u><u>\$ 14,098,551</u></u>	<b>(3.24) %</b>

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

**Debt Administration.** At June 30, 2017, the District had \$1,273,873 in outstanding long-term debt, excluding bond premium, of which \$499,017 is due within one year. During the fiscal year, the District made principal payments totaling \$833,063 on outstanding long-term debt. The liability for compensated absences decreased \$2,986 from the prior year.

**PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Table 6  
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 360,000	\$ 735,000	(51.02) %
Limited obligation bonds payable	78,000	358,000	(78.21) %
Three mill notes payable	-	125,000	(100.00) %
Obligations under energy efficiency leases	709,385	762,448	(6.96) %
Compensated absences payable	126,488	129,474	(2.31) %
<b>Total</b>	<b><u>\$ 1,273,873</u></b>	<b><u>\$ 2,109,922</u></b>	<b><u>(39.62) %</u></b>

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

### **CURRENT ISSUES**

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

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

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

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

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

## FINANCIAL STATEMENTS

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2017**

**Exhibit A**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,603,924	\$ 133	\$ 4,604,057
Due from other governments	1,256,608	-	1,256,608
Other receivables, net	64,018	-	64,018
Inventories	71,258	-	71,258
Restricted assets	423,581	-	423,581
Capital assets, non-depreciable:			
Land	759,736	-	759,736
Capital assets, net of accumulated depreciation:			
Buildings	9,729,190	-	9,729,190
Building improvements	924,902	-	924,902
Improvements other than buildings	1,154,795	-	1,154,795
Mobile equipment	984,587	-	984,587
Furniture and equipment	88,040	-	88,040
Total Assets	<u>20,060,639</u>	<u>133</u>	<u>20,060,772</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflow from advance refunding of debt	23,711	-	23,711
Deferred outflows - pensions	9,284,816	-	9,284,816
Total Deferred Outflows of Resources	<u>9,308,527</u>	<u>-</u>	<u>9,308,527</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	252,399	-	252,399
Due to other governments	63,441	-	63,441
Unearned revenue	40	-	40
Interest payable on long-term liabilities	5,988	-	5,988
Long-term liabilities, due within one year:			
Capital related liabilities	438,000	-	438,000
Non-capital related liabilities	61,017	-	61,017
Long-term liabilities, due beyond one year:			
Capital related bond premium	677	-	677
Non-capital related liabilities	774,856	-	774,856
Net pension liability	38,395,259	-	38,395,259
Total Liabilities	<u>39,991,677</u>	<u>-</u>	<u>39,991,677</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	1,739,725	-	1,739,725
Total Deferred Inflows of Resources	<u>1,739,725</u>	<u>-</u>	<u>1,739,725</u>
<b>Net Position</b>			
Net investment in capital assets	13,226,284	-	13,226,284
Restricted for:			
Expendable:			
School-based activities	443,414	133	443,547
Debt service	356,730	-	356,730
Forestry improvements	113,159	-	113,159
Unemployment benefits	40,964	-	40,964
Non-expendable:			
Sixteenth section	380,040	-	380,040
Unrestricted	(26,922,827)	-	(26,922,827)
Total Net Position (Deficit)	<u>\$ (12,362,236)</u>	<u>\$ 133</u>	<u>\$ (12,362,103)</u>

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2017**

**Exhibit B**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction	\$ 12,442,004	\$ 521,838	\$ 806,490	\$ (11,113,676)	\$ -	\$ (11,113,676)
Support services	8,979,163	269	1,319,131	(7,659,763)	-	(7,659,763)
Non-instructional	1,486,348	254,717	1,249,383	17,752	-	17,752
Sixteenth section	58,520	-	-	(58,520)	-	(58,520)
Pension expense	4,247,099	-	-	(4,247,099)	-	(4,247,099)
Interest on long-term liabilities	67,379	-	-	(67,379)	-	(67,379)
Total Governmental Activities	27,280,513	776,824	3,375,004	(23,128,685)	-	(23,128,685)
Business-type Activities:						
Early Childhood Development Center	39,672	39,805	-	-	133	133
Total Business-type Activities	39,672	39,805	-	-	133	133
Total Primary Government	\$ 27,320,185	\$ 816,629	\$ 3,375,004	\$ (23,128,685)	\$ 133	\$ (23,128,552)
General Revenues:						
Taxes:						
General purpose levies				5,217,849	-	5,217,849
Debt purpose levies				607,854	-	607,854
Unrestricted grants and contributions:						
State				15,229,084	-	15,229,084
Federal				129,787	-	129,787
Unrestricted investment earnings				33,786	-	33,786
Sixteenth section sources				65,792	-	65,792
Other				248,208	-	248,208
Total General Revenues				21,532,360	-	21,532,360
Change in Net Position				(1,596,325)	133	(1,596,192)
Net Position (Deficit) - Beginning, as previously reported				(10,637,302)	-	(10,637,302)
Prior Period Adjustments				(128,609)	-	(128,609)
Net Position (Deficit) - Beginning, as restated				(10,765,911)	-	(10,765,911)
Net Position (Deficit) - Ending				\$ (12,362,236)	\$ 133	\$ (12,362,103)

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Governmental Funds

## Balance Sheet

Exhibit C

June 30, 2017

	Major Funds					
	General Fund	EHA Part B Fund	1997 Bond Issue Retirement Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 3,619,824	\$ -	\$ 306,411	\$ 1,057,729	\$ 4,983,964	
Cash with fiscal agents	-	-	-	43,541	43,541	
Due from other governments	287,836	564,753	15,777	278,727	1,147,093	
Other receivables, net	64,018	-	-	-	64,018	
Due from other funds	1,072,172	-	-	-	1,072,172	
Inventories	-	-	-	71,258	71,258	
Total Assets	\$ 5,043,850	\$ 564,753	\$ 322,188	\$ 1,451,255	\$ 7,382,046	
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 217,222	\$ -	\$ -	\$ 35,177	\$ 252,399	
Due to other funds	63,414	564,753	170,000	227,931	1,026,098	
Unavailable revenue - federal programs	-	-	-	40	40	
Total Liabilities	280,636	564,753	170,000	263,148	1,278,537	
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	71,258	71,258	
Permanent fund principal	-	-	-	380,040	380,040	
<b>Restricted:</b>						
Debt service	-	-	152,188	210,530	362,718	
Forestry improvement purposes	-	-	-	113,159	113,159	
Grant activities	-	-	-	71,398	71,398	
Unemployment benefits	-	-	-	40,964	40,964	
Child nutrition	-	-	-	300,758	300,758	
<b>Assigned:</b>						
Activity funds	148,573	-	-	-	148,573	
<b>Unassigned</b>	4,614,641	-	-	-	4,614,641	
Total Fund Balances	4,763,214	-	152,188	1,188,107	6,103,509	
Total Liabilities and Fund Balances	\$ 5,043,850	\$ 564,753	\$ 322,188	\$ 1,451,255	\$ 7,382,046	

## PEARL RIVER COUNTY SCHOOL DISTRICT

**Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017****Exhibit C-1**

**Total fund balances for governmental funds** \$ 6,103,509

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

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

Land	\$ 759,736	
Buildings	15,140,978	
Building improvements	2,305,225	
Improvements other than buildings	1,791,781	
Mobile equipment	3,407,129	
Furniture and equipment	881,466	
Accumulated depreciation	<u>(10,645,065)</u>	13,641,250

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

Net pension liability	(38,395,259)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	9,284,816	
Deferred inflows of resources related to pensions	<u>(1,739,725)</u>	(30,850,168)

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

General obligation refunding bonds	(360,000)	
Limited obligation bonds	(78,000)	
Energy efficiency lease obligations	(709,385)	
Compensated absences	(126,488)	
Unamortized charges	23,711	
Unamortized premiums	(677)	
Accrued interest payable	<u>(5,988)</u>	(1,256,827)

**Net Position of governmental activities** \$ (12,362,236)

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Governmental Funds

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

Exhibit D

For the Year Ended June 30, 2017

	Major Funds			Other	Total
	General	EHA Part B	1997 Bond	Governmental	Governmental
	Fund	Fund	Issue Retirement	Funds	Funds
			Fund		
<b>Revenues:</b>					
Local sources	\$ 5,905,052	\$ -	\$ 470,760	\$ 504,392	\$ 6,880,204
State sources	15,238,575	-	-	437,005	15,675,580
Federal sources	114,870	570,525	-	2,372,901	3,058,296
Sixteenth section sources	67,023	-	-	2,816	69,839
Total Revenues	21,325,520	570,525	470,760	3,317,114	25,683,919
<b>Expenditures:</b>					
Instruction	12,319,796	256,449	-	914,725	13,490,970
Support services	8,136,370	314,076	-	1,187,685	9,638,131
Noninstructional services	-	-	-	1,493,457	1,493,457
Sixteenth section	51,585	-	-	6,935	58,520
Debt service:					
Principal	53,063	-	375,000	405,000	833,063
Interest	22,369	-	27,923	10,392	60,684
Other	-	-	2,250	1,350	3,600
Total Expenditures	20,583,183	570,525	405,173	4,019,544	25,578,425
Excess (Deficiency) of Revenues over (under) Expenditures	742,337	-	65,587	(702,430)	105,494
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	269	-	-	-	269
Operating transfers in	5,489	-	-	491,956	497,445
Operating transfers out	(490,329)	-	-	(7,116)	(497,445)
Total Other Financing Sources (Uses)	(484,571)	-	-	484,840	269
Net Change in Fund Balances	257,766	-	65,587	(217,590)	105,763
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	4,634,057	-	86,601	1,414,670	6,135,328
Prior period adjustments	(128,609)	-	-	-	(128,609)
July 1, 2016, as restated	4,505,448	-	86,601	1,414,670	6,006,719
Increase (Decrease) in inventory	-	-	-	(8,973)	(8,973)
June 30, 2017	\$ 4,763,214	\$ -	\$ 152,188	\$ 1,188,107	\$ 6,103,509

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017**

Exhibit D-1

**Net change in fund balances - total governmental funds** \$ 105,763

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

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

Capital outlay	\$ 233,616	
Depreciation expense	<u>(689,030)</u>	(455,414)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (1,887)

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

Payments of debt principal	833,063	
Accrued interest payable	<u>9,379</u>	842,442

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

Recording of pension expense for the current period	(4,247,099)	
Recording of contributions made subsequent to the measurement date	<u>2,178,331</u>	(2,068,768)

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

Change in compensated absences	2,986	
Change in inventory	(8,973)	
Amortization of deferred charges, premiums and discounts	<u>(12,474)</u>	(18,461)

**Change in Net Position of governmental activities** \$ (1,596,325)

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

Statement of Net Position  
June 30, 2017

Exhibit E

	Business-type Activities - Enterprise Fund
	Early Childhood Development Center
<b>Assets</b>	
Cash and cash equivalents	\$ 133
Total Assets	133
<b>Liabilities</b>	
Total Liabilities	-
<b>Net Position</b>	
Restricted for Early Childhood Development	133
Total Net Position	\$ 133

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2017

Exhibit F

	Business-type Activities - Enterprise Fund
	Early Childhood Development Center
<b>Operating revenues</b>	
Charges for services - tuition	\$ 39,805
Total operating revenues	39,805
<b>Operating expenses</b>	
Instruction	39,672
Total operating expenses	39,672
Operating income (loss)	133
Change in net position	133
Net Position - Beginning	-
Net Position - Ending	\$ 133

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

## Statement of Cash Flows

Exhibit G

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Fund	Early Childhood Development Center
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 39,805	
Cash payments to employees and professional contractors for services	(36,733)	
Cash payments to suppliers for goods and services	(2,939)	
Net cash provided (used) by operating activities	133	
Net increase (decrease) in cash and cash equivalents	133	
Cash and cash equivalents, beginning of year	-	
Cash and cash equivalents, end of year	\$ 133	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 133	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Total adjustments	-	
Net cash provided (used) by operating activities	\$ 133	

## PEARL RIVER COUNTY SCHOOL DISTRICT

**Fiduciary Funds****Statement of Fiduciary Net Position  
June 30, 2017****Exhibit H**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 2,018	\$ 1,276,698
Due from other funds	-	66,155
Total Assets	<u>2,018</u>	<u>\$ 1,342,853</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		\$ 1,202,349
Due to other funds		112,229
Due to student clubs		28,275
Total Liabilities		<u>\$ 1,342,853</u>
<b>Net Position</b>		
Held in trust	<u>2,018</u>	
Total Net Position	<u>\$ 2,018</u>	

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Fiduciary Funds

Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2017

Exhibit I

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 9
Contributions and donations from private sources	1,000
Total Additions	1,009
<b>Deductions</b>	
Scholarships awarded	750
Total Deductions	750
Change in Net Position	259
<b>Net Position</b>	
July 1, 2016	1,759
June 30, 2017	\$ 2,018

**Pearl River County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2017

## **Pearl River County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2017

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

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

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

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

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

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

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

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

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

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

The school district reports the following major governmental funds:

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

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

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

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

The district reports the following major Enterprise Fund:

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

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

The District's fiduciary funds include the following:

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

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

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

**PRC Health Fund** - This fund is used to account for funds received for health services and wellness programs to students at the district.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### PROPRIETARY FUNDS

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

## Pearl River County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### FIDUCIARY FUNDS

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

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

#### **D. Encumbrances**

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

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

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

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

#### 7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has two deferred outflow items which are presented as a deferred outflow for pension and a deferred outflow from advance refunding of debt.

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

See Note 13 for further details.

#### 8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental and business type funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

#### 10. Pensions

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

#### 11. Fund Balances

Fund balance for governmental and business type 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. Following are descriptions of fund classifications used by the district:

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

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

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

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

## **Pearl River County School District**

### Notes to the Financial Statements For the Year Ended June 30, 2017

fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the School District.

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

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

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

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

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

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, fiduciary funds, and proprietary fund was \$4,983,964, \$1,278,716, and \$133, respectively.

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$7,345,376 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$43,541.

### Note 3 - Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

#### A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	EHA Part B Fund	\$ 564,753
	1997 Bond Issue Retirement Fund	170,000
	Other Governmental Funds	227,903
	Fiduciary Funds	109,516
Fiduciary Fund	General Fund	63,414
	Other Governmental Funds	28
	Fiduciary Funds	2,713
Total		<u>\$ 1,138,327</u>

The purpose of interfund loans was to account for federal funds that were not received until after the year ended June 30, 2017.

# Pearl River County School District

## Notes to the Financial Statements For the Year Ended June 30, 2017

### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 5,489
Other Governmental Funds	General Fund	490,329
	Other Governmental Funds	1,627
Total		\$ 497,445

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

### Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$380,040 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$43,541 of the MAEP Limited Obligation Bond/Note Fund.

### Note 5 - Capital Assets

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

	Balance 7-1-2016	Additions	Retirements	Balance 6-30-2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 759,736			759,736
Total non-depreciable capital assets	759,736	0	0	759,736
<u>Depreciable capital assets:</u>				
Buildings	15,140,978			15,140,978
Building improvements	2,305,225			2,305,225
Improvements other than buildings	1,686,081	105,700		1,791,781
Mobile equipment	3,294,213	127,916	15,000	3,407,129
Furniture and equipment	926,655		45,189	881,466
Total depreciable capital assets	23,353,152	233,616	60,189	23,526,579
<u>Less accumulated depreciation for:</u>				
Buildings	5,126,562	285,226		5,411,788
Building improvements	1,290,874	89,449		1,380,323
Improvements other than buildings	565,315	71,671		636,986
Mobile equipment	2,248,484	187,558	13,500	2,422,542
Furniture and equipment	783,102	55,126	44,802	793,426
Total accumulated depreciation	10,014,337	689,030	58,302	10,645,065
Total depreciable capital assets, net	13,338,815	(455,414)	1,887	12,881,514
Governmental activities capital assets, net	\$ 14,098,551	(455,414)	1,887	13,641,250

# Pearl River County School District

## Notes to the Financial Statements For the Year Ended June 30, 2017

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 362,440
Support services	275,994
Non-instructional	50,596
Total depreciation expense	<u>\$ 689,030</u>

### Note 6 - Long-term liabilities

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

	Balance 7-1-2016	Reductions	Balance 6-30-2017	Amounts due within one year
A. General obligation refunding bonds payable	\$ 735,000	375,000	360,000	360,000
B. Limited obligation bonds payable	358,000	280,000	78,000	78,000
C. Three mill notes payable	125,000	125,000	0	0
D. Obligations under energy efficiency leases	762,448	53,063	709,385	54,693
E. Compensated absences payable	129,474	2,986	126,488	6,324
	<u>\$ 2,109,922</u>	<u>836,049</u>	<u>1,273,873</u>	<u>499,017</u>
Premium on debt issuance	\$ 1,017	340	677	
Total long term debt and premium	<u>\$ 2,110,939</u>	<u>836,389</u>	<u>1,274,550</u>	<u>499,017</u>

### A. General Obligation Refunding Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2003	2.00-3.85%	08-19-03	02-15-18	\$ <u>4,475,000</u>	<u>360,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ <u>360,000</u>	<u>13,860</u>	<u>373,860</u>

This debt will be retired from the 2003 Retirement Fund.

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 0.30% of property assessments as of October 1, 2016.

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

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bond, Series 2011	2.45%	04-18-11	08-01-17	\$ <u>1,592,000</u>	<u>78,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ <u>78,000</u>	<u>956</u>	<u>78,956</u>

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

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

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

This debt was paid off and retired from the Three Mill Debt Service Fund.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease, issue of 08-16-13	3.03%	08-16-13	08-16-28	\$ <u>908,351</u>	<u>709,385</u>

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 54,693	20,739	75,432
2019	56,374	19,058	75,432
2020	58,106	17,326	75,432
2021	59,890	15,542	75,432
2022	61,576	13,857	75,433
2023 - 2027	332,386	38,488	370,874
2028 - 2029	86,360	1,644	88,004
Total	\$ <u>709,385</u>	<u>126,654</u>	<u>836,039</u>

This debt will be retired from the General Fund.

An energy efficiency lease agreement dated December 10, 2012, was executed by and between the Pearl River County School District, the lessee, and Schneider Electric Buildings Americas, Inc., the lessor.

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

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

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

#### **E. Compensated absences payable**

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

#### **Note 7 - Prior Year Defeasance of Debt**

In prior years, the Pearl River County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2017, \$360,000 of bonds outstanding are defeased. There were no payments made during the fiscal year. The total amount of bonds outstanding will be called and paid off in 2018.

## Pearl River County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### Note 8 - Defined Benefit Pension Plan

#### General Information about the Pension Plan

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by

# Pearl River County School District

## Notes to the Financial Statements For the Year Ended June 30, 2017

the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$2,178,331, \$2,165,755, and \$2,185,097, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$38,395,259 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.214949 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.00712 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,247,099. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,401,220	\$
Net difference between projected and actual earnings on pension plan investments	2,435,277	
Changes in assumptions	2,957,196	102,028
Changes in proportion and differences between District contributions and proportionate share of contributions	312,792	1,637,697
District contributions subsequent to the measurement date	2,178,331	
Total	\$ <u>9,284,816</u>	\$ <u>1,739,725</u>

\$2,178,331 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 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:

Year ending June 30:	
2018	\$ 1,626,862
2019	1,773,777
2020	1,207,615
2021	758,506
Total	\$ <u>5,366,760</u>

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ <u>49,231,330</u>	\$ <u>38,395,259</u>	\$ <u>29,404,832</u>

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

#### **Note 9 - Risk Management**

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

#### **Note 10 - Contingencies**

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

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

#### **Note 11 - Insurance Loss Recoveries**

The Pearl River County School District received \$269 in insurance loss recoveries related to vehicle accidents during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

## Pearl River County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### Note 12 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2018	\$	66,873
2019		53,299
2020		53,299
2021		51,599
2022		47,435
2023 - 2027		229,999
2028 - 2032		216,424
2033 - 2037		186,904
2038 - 2042		71,361
2043 - 2047		32,900
Total	\$	<u>1,010,093</u>

### Note 13 - Effect of Deferred Amounts of Net Position

The net investment in capital assets net position amount of \$13,226,284 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$23,711 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 2 years.

The unrestricted net position amount of (\$26,922,827) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,178,331 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$7,106,485 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$26,922,827) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The

## Pearl River County School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

\$1,739,725 balance of deferred inflow of resources, at June 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next 3 years.

#### Note 14 - Prior Period Adjustments

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

##### Exhibit B - Statement of Activities- Governmental Activities

<u>Explanation</u>		<u>Amount</u>
To correctly present prior year revenue.	\$	<u>(128,609)</u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>		<u>Amount</u>
General Fund	To correctly present prior year revenue.	\$	<u>(128,609)</u>

#### Note 15 - Subsequent Events

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

## REQUIRED SUPPLEMENTARY INFORMATION

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 5,382,177	\$ 5,905,052	\$ 5,905,052	\$ 522,875	\$ -
State sources	15,195,716	15,238,575	15,238,575	42,859	-
Federal sources	145,000	114,870	114,870	(30,130)	-
Sixteenth section sources	64,200	67,023	67,023	2,823	-
Total Revenues	20,787,093	21,325,520	21,325,520	538,427	-
<b>Expenditures:</b>					
Instruction	12,328,093	12,319,796	12,319,796	8,297	-
Support services	8,350,762	8,136,370	8,136,370	214,392	-
Sixteenth section	37,100	51,585	51,585	(14,485)	-
Debt service:					
Principal	50,500	53,063	53,063	(2,563)	-
Interest	25,000	22,369	22,369	2,631	-
Total Expenditures	20,791,455	20,583,183	20,583,183	208,272	-
Excess (Deficiency) of Revenues over (under) Expenditures	(4,362)	742,337	742,337	746,699	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	269	269	269	-
Operating transfers in	3,561,625	3,222,599	5,489	(339,026)	(3,217,110)
Operating transfers out	(4,034,256)	(3,707,439)	(490,329)	326,817	3,217,110
Total Other Financing Sources (Uses)	(472,631)	(484,571)	(484,571)	(11,940)	-
Net Change in Fund Balances	(476,993)	257,766	257,766	734,759	-
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	4,634,057	4,634,057	4,634,057	-	-
Prior period adjustments	-	(128,609)	(128,609)	(128,609)	-
July 1, 2016, as restated	4,634,057	4,505,448	4,505,448	(128,609)	-
June 30, 2017	\$ 4,157,064	\$ 4,763,214	\$ 4,763,214	\$ 606,150	\$ -

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Required Supplementary Information

## Budgetary Comparison Schedule

## EHA Part B Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 558,863	\$ 570,525	\$ 570,525	\$ 11,662	\$ -
Total Revenues	558,863	570,525	570,525	11,662	-
<b>Expenditures:</b>					
Instruction	325,818	256,449	256,449	69,369	-
Support services	263,335	314,076	314,076	(50,741)	-
Noninstructional services	260	-	-	260	-
Total Expenditures	589,413	570,525	570,525	18,888	-
Net Change in Fund Balances	(30,550)	-	-	30,550	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ (30,550)	\$ -	\$ -	\$ 30,550	\$ -

**Pearl River County School District**

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

PERS

Last 10 Fiscal Years\*

	2017	2016	2015
District's proportion of the net pension liability (asset)	\$ 38,395,259	34,327,488	23,981,987
District's proportionate share of the net pension liability (asset)	0.214949%	0.222069%	0.197575%
District's covered payroll	13,750,825	13,873,632	12,072,883
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

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

		2017	2016	2015
Contractually required contribution	\$	<u>2,178,331</u>	<u>2,165,755</u>	<u>2,185,097</u>
Contributions in relation to the contractually required contribution		2,178,331	2,165,755	2,185,097
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll		13,830,673	13,750,825	13,873,632
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%

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

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

## Pearl River County School District

### Notes to the Required Supplementary Information For the Year Ended June 30, 2017

#### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) Changes in benefit provisions

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.

(2) Changes of assumptions

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 service 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.

2016:

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

## SUPPLEMENTARY INFORMATION

**Pearl River County School District**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 280,049
National School Lunch Program	10.555	1,069,707
Summer Food Service Program for Children	10.559	1,627
Total Child Nutrition Cluster		<u>1,351,383</u>
Total passed-through the Mississippi Department of Education		<u>1,351,383</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>1,351,383</u></u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	106,539
<b>Total U.S. Department of Defense</b>		<u><u>106,539</u></u>
<b><u>U.S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	744,362
Career and Technical Education - Basic Grants to States	84.048	38,904
Rural Education	84.358	44,230
Supporting Effective Instruction State Grants	84.367	155,074
Sub-total		<u>982,570</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	570,525
Special Education - Preschool Grants	84.173	25,658
Total Special Education Cluster		<u>596,183</u>
Total passed-through the Mississippi Department of Education		<u>1,578,753</u>
<b>Total U.S. Department of Education</b>		<u><u>1,578,753</u></u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	23,248
Total passed-through the Mississippi Department of Education		<u>23,248</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><u>23,248</u></u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$ 3,059,923</u></u>

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

**Schedule 2****Pearl River County School District**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2017

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 18,568,967	13,842,616	915,196	1,754,350	2,056,805
Other	7,009,458	2,297,022	183,972	102,401	4,426,063
Total	\$ 25,578,425	16,139,638	1,099,168	1,856,751	6,482,868
Total number of students *	2,721				
Cost per student	\$ 9,400	5,931	404	682	2,383

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

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

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

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

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

\* Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the school year.

## Pearl River County School District

### Notes to the Supplementary Information For the Year Ended June 30, 2017

#### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$79,555 are included in the National School Lunch Program.

## OTHER INFORMATION

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

## General Fund

## Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 5,905,052	5,955,283	5,661,668	5,761,124
State sources	15,238,575	14,988,540	14,015,907	14,086,693
Federal sources	114,870	319,237	132,135	161,522
Sixteenth section sources	67,023	218,689	60,056	-
Total Revenues	<u>21,325,520</u>	<u>21,481,749</u>	<u>19,869,766</u>	<u>20,009,339</u>
<b>Expenditures:</b>				
Instruction	12,319,796	12,122,963	11,679,274	11,924,583
Support services	8,136,370	8,616,746	8,363,277	9,495,036
Noninstructional services	-	-	75	75
Sixteenth section	51,585	20,427	32,915	-
Facilities acquisition and construction	-	742,156	118,151	-
Debt service:				
Principal	53,063	51,481	49,947	44,475
Interest	22,369	23,951	25,485	24,671
Total Expenditures	<u>20,583,183</u>	<u>21,577,724</u>	<u>20,269,124</u>	<u>21,488,840</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>742,337</u>	<u>(95,975)</u>	<u>(399,358)</u>	<u>(1,479,501)</u>
<b>Other Financing Sources (Uses):</b>				
Leases issued	-	-	-	908,351
Insurance recovery	269	82,096	-	-
Sale of other property	-	725	5,585	-
Operating transfers in	5,489	9,120	14,802	230,217
Operating transfers out	(490,329)	(524,692)	(482,867)	(519,817)
Total Other Financing Sources (Uses)	<u>(484,571)</u>	<u>(432,751)</u>	<u>(462,480)</u>	<u>618,751</u>
Net Change in Fund Balances	<u>257,766</u>	<u>(528,726)</u>	<u>(861,838)</u>	<u>(860,750)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,634,057	5,163,415	5,468,676	6,329,426
Fund reclassification	-	-	567,890	-
Prior period adjustment	(128,609)	(632)	(11,313)	-
Beginning of period, as restated	<u>4,505,448</u>	<u>5,162,783</u>	<u>6,025,253</u>	<u>6,329,426</u>
End of period	<u>\$ 4,763,214</u>	<u>4,634,057</u>	<u>5,163,415</u>	<u>5,468,676</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PEARL RIVER COUNTY SCHOOL DISTRICT**

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

## All Governmental Funds

## Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 6,880,204	6,911,229	6,572,679	6,736,180
State sources	15,675,580	15,688,587	14,689,488	14,742,855
Federal sources	3,058,296	3,284,913	2,953,171	2,740,785
Sixteenth section sources	69,839	246,348	60,836	269,960
Total Revenues	<u>25,683,919</u>	<u>26,131,077</u>	<u>24,276,174</u>	<u>24,489,780</u>
<b>Expenditures:</b>				
Instruction	13,490,970	13,739,496	13,260,514	13,344,679
Support services	9,638,131	9,873,565	9,531,994	10,480,431
Noninstructional services	1,493,457	1,450,303	1,414,453	1,402,448
Sixteenth section	58,520	36,280	39,840	39,812
Facilities acquisition and construction	-	742,156	118,151	-
Debt service:				
Principal	833,063	804,481	1,778,947	805,103
Interest	60,684	87,034	112,046	134,664
Other	3,600	3,600	3,725	4,150
Total Expenditures	<u>25,578,425</u>	<u>26,736,915</u>	<u>26,259,670</u>	<u>26,211,287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>105,494</u>	<u>(605,838)</u>	<u>(1,983,496)</u>	<u>(1,721,507)</u>
<b>Other Financing Sources (Uses):</b>				
Leases issued	-	-	-	908,351
Insurance recovery	269	82,096	-	-
Sale of other property	-	1,175	5,585	-
Operating transfers in	497,445	533,905	506,041	753,823
Other financing sources	-	-	-	677
Operating transfers out	(497,445)	(533,905)	(506,041)	(753,823)
Other financing uses	-	-	-	(3,958)
Total Other Financing Sources (Uses)	<u>269</u>	<u>83,271</u>	<u>5,585</u>	<u>905,070</u>
Net Change in Fund Balances	<u>105,763</u>	<u>(522,567)</u>	<u>(1,977,911)</u>	<u>(816,437)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	6,135,328	6,653,345	8,628,921	9,454,847
Prior period adjustment	(128,609)	(927)	(11,313)	-
Beginning of period, as restated	<u>6,006,719</u>	<u>6,652,418</u>	<u>8,617,608</u>	<u>9,454,847</u>
Increase (Decrease) in inventory	(8,973)	5,477	13,648	(9,489)
End of period	<u>\$ 6,103,509</u>	<u>6,135,328</u>	<u>6,653,345</u>	<u>8,628,921</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pearl River County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pearl River County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pearl River County School District's basic financial statements, and have issued our report thereon dated May 17, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
May 17, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pearl River County School District

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

We have audited Pearl River County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Pearl River County School District's major federal program for the year ended June 30, 2017. The Pearl River County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Pearl River County School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the Pearl River County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
May 17, 2018

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pearl River County School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pearl River County School District as of and for the year ended June 30, 2017, which collectively comprise the Pearl River County School District's basic financial statements and have issued our report thereon dated May 17, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

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## **Finding 1:**

### Criteria:

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

### Condition:

During our test of expenditures, we noted that the payment of 2 invoices out of 76 were over the 45-day statutory limitation.

### Cause:

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

### Effect:

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

### Recommendation:

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

### Response:

The District will continue to provide training to the schools and departments to become more effective in notifying Accounts Payable of goods and services received so payment can be made within the 45 day requirement. The Business Office will also set up procedures to monitor open purchase orders on a monthly basis.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year’s audit engagement, the finding in this report to ensure that corrective action has been taken.

The Pearl River County School District’s response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
May 17, 2018

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Pearl River County School District**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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

**Financial Statements:**

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

**Federal Awards:**

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No.

**Section II: Financial Statement Findings**

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

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

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