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Audited Financial Statements  
For the Year Ended June 30, 2018

**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, 2018, 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, 2018, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 17, and 54 to 63, 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 January 3, 2019, 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  
January 3, 2019

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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 2018 decreased \$3,544,691, including a prior period adjustment of (\$2,061,532) related to the recording of the net OPEB liability and related accounts, which represents a 29% decrease from fiscal year 2017. 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.
- General revenues amounted to \$23,212,782 and \$21,532,360, or 84% and 84% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,359,005, or 16% of total revenues for 2018, and \$4,191,633, or 16% of total revenues for 2017.
- The District had \$29,054,946 and \$27,320,185 in expenses for fiscal years 2018 and 2017; only \$4,359,005 for 2018 and \$4,191,633 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,212,782 for 2018 and \$21,532,360 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$23,405,290 in revenues and \$22,515,110 in expenditures for 2018, and \$21,325,520 in revenues and \$20,583,183 in expenditures in 2017. The General Fund's fund balance increased by \$322,928 from 2017 to 2018, and increased by \$129,157, including a prior period adjustment of (\$128,609), from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$386,586 for 2018 and decreased by \$457,301 for 2017. The decrease for 2018 was due primarily to the disposal of furniture and equipment coupled with the increase in accumulated depreciation.
- Total long-term debt, excluding bond premium, decreased by \$507,402 for 2018 and decreased by \$836,049 for 2017. The decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$14,709 for 2018 and decreased by \$2,986 for 2017.

**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, 2018**

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, OPEB 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.

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**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 and net OPEB liability result in liabilities on the government-wide financial statements but are 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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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.

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$15,906,794 as of June 30, 2018.

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, 2018 and June 30, 2017.

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

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Current assets	\$ 6,437,298	\$ 5,995,808	7.36 %	\$ 1,550	\$ 133	1,065.41 %
Restricted assets	388,199	423,581	(8.35) %	-	-	N/A %
Capital assets, net	13,254,664	13,641,250	(2.83) %	-	-	N/A %
<b>Total assets</b>	<b>20,080,161</b>	<b>20,060,639</b>	<b>0.10 %</b>	<b>1,550</b>	<b>133</b>	<b>1,065.41 %</b>
<b>Deferred outflows of resources</b>	<b>4,422,999</b>	<b>9,308,527</b>	<b>(52.48) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
Current liabilities	452,768	321,868	40.67 %	-	-	N/A %
Long-term debt outstanding	766,808	1,274,550	(39.84) %	-	-	N/A %
Net OPEB liability	2,084,773	-	N/A %	-	-	N/A %
Net pension liability	35,839,539	38,395,259	(6.66) %	-	-	N/A %
<b>Total liabilities</b>	<b>39,143,888</b>	<b>39,991,677</b>	<b>(2.12) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Deferred inflows of resources</b>	<b>1,267,616</b>	<b>1,739,725</b>	<b>(27.14) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>						
Net investment in capital assets	13,265,224	13,226,284	0.29 %	-	-	N/A %
Restricted	1,286,587	1,334,307	(3.58) %	1,550	133	1,065.41 %
Unrestricted	(30,460,155)	(26,922,827)	(13.14) %	-	-	N/A %
<b>Total net position (deficit)</b>	<b>\$ (15,908,344)</b>	<b>\$ (12,362,236)</b>	<b>(28.69) %</b>	<b>\$ 1,550</b>	<b>\$ 133</b>	<b>1,065.41 %</b>

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (30,460,155)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>34,779,826</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 4,319,671</u>

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 \$386,586.
- The principal retirement of \$492,693 of long-term debt.
- Recognition of the net pension liability in the amount of \$35,839,539.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,084,773.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$27,571,787 and \$25,723,993, respectively. The total cost of all programs and services was \$29,054,946 for 2018 and \$27,320,185 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

**PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Table 2  
Changes in Net Position**

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Percentage Change</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Percentage Change</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 736,210	\$ 776,824	(5.23) %	\$ 43,925	\$ 39,805	10.35 %
Operating grants and contributions	3,578,870	3,375,004	6.04 %	-	-	N/A %
General revenues:						
Property taxes	5,727,845	5,825,703	(1.68) %	-	-	N/A %
Grants and contributions not restricted	17,202,481	15,358,871	12.00 %	-	-	N/A %
Investment earnings	35,428	33,786	4.86 %	-	-	N/A %
Sixteenth section sources	71,855	65,792	9.22 %	-	-	N/A %
Other	175,173	248,208	(29.42) %	-	-	N/A %
<b>Total revenues</b>	<b>27,527,862</b>	<b>25,684,188</b>	<b>7.18 %</b>	<b>43,925</b>	<b>39,805</b>	<b>10.35 %</b>
<b>Expenses:</b>						
Instruction	13,307,708	12,442,004	6.96 %	-	-	N/A %
Support services	9,881,150	8,979,163	10.05 %	-	-	N/A %
Non-instructional	1,464,810	1,486,348	(1.45) %	-	-	N/A %
Sixteenth section	29,336	58,520	(49.87) %	-	-	N/A %
Pension expense	4,175,346	4,247,099	(1.69) %	-	-	N/A %
OPEB expense	107,347	-	N/A %	-	-	N/A %
Interest on long-term liabilities	46,741	67,379	(30.63) %	-	-	N/A %
Early Childhood Development	-	-	N/A %	42,508	39,672	7.15 %
<b>Total expenses</b>	<b>29,012,438</b>	<b>27,280,513</b>	<b>6.35 %</b>	<b>42,508</b>	<b>39,672</b>	<b>7.15 %</b>
<b>Increase (Decrease) in net position</b>	<b>(1,484,576)</b>	<b>(1,596,325)</b>	<b>7.00 %</b>	<b>1,417</b>	<b>133</b>	<b>965.41 %</b>
<b>Net Position (Deficit), July 1, as previously reported</b>	<b>(12,362,236)</b>	<b>(10,637,302)</b>	<b>(16.22) %</b>	<b>133</b>	<b>-</b>	<b>N/A %</b>
<b>Prior Period Adjustment</b>	<b>(2,061,532)</b>	<b>(128,609)</b>	<b>(1,502.95) %</b>	<b>-</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position (Deficit), July 1, as restated</b>	<b>(14,423,768)</b>	<b>(10,765,911)</b>	<b>(33.98) %</b>	<b>133</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position (Deficit), June 30</b>	<b>\$ (15,908,344)</b>	<b>\$ (12,362,236)</b>	<b>(28.69) %</b>	<b>\$ 1,550</b>	<b>\$ 133</b>	<b>1,065.41 %</b>

### Governmental activities

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB 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.

**PEARL RIVER COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 13,307,708	\$ 12,442,004	6.96 %
Support services	9,881,150	8,979,163	10.05 %
Non-instructional	1,464,810	1,486,348	(1.45) %
Sixteenth section	29,336	58,520	(49.87) %
Pension expense	4,175,346	4,247,099	(1.69) %
OPEB expense	107,347	-	N/A %
Interest on long-term liabilities	46,741	67,379	(30.63) %
<b>Total expenses</b>	<b>\$ 29,012,438</b>	<b>\$ 27,280,513</b>	<b>6.35 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (11,787,040)	\$ (11,113,676)	(6.06) %
Support services	(8,606,130)	(7,659,763)	(12.36) %
Non-instructional	54,582	17,752	207.47 %
Sixteenth section	(29,336)	(58,520)	49.87 %
Pension expense	(4,175,346)	(4,247,099)	1.69 %
OPEB expense	(107,347)	-	N/A %
Interest on long-term liabilities	(46,741)	(67,379)	30.63 %
<b>Total net (expense) revenue</b>	<b>\$ (24,697,358)</b>	<b>\$ (23,128,685)</b>	<b>(6.78) %</b>

- Net cost of governmental activities (\$24,697,358 for 2018 and \$23,128,685 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$5,727,845 for 2018 and \$5,825,703 for 2017) and state and federal revenues (\$17,202,481 for 2018 and \$15,358,871 for 2017). In addition, there was \$71,855 and \$65,792 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$35,428 for 2018 and \$33,786 for 2017.

**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, 2018**

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Early Childhood Development	\$ 42,508	\$ 39,672	7.15 %
<b>Total expenses</b>	<b>\$ 42,508</b>	<b>\$ 39,672</b>	<b>7.15 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Early Childhood Development	\$ 1,417	\$ 133	965.41 %
<b>Total net (expense) revenue</b>	<b>\$ 1,417</b>	<b>\$ 133</b>	<b>965.41 %</b>

- Net cost of business-type activities (\$1,417 net revenue for 2018 and \$133 net revenue for 2017) was financed by charges for services, which includes tuition from individuals (\$43,925 for 2018 and \$39,805 for 2017).

## 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 \$6,372,729, an increase of \$269,220, which includes an increase in inventory of \$5,622. \$4,925,130, or 77% 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 \$1,447,599, or 23% 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 \$322,928. The fund balance of Other Governmental Funds showed a decrease in the amount of \$78,474, which includes an increase in inventory of \$5,622. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I - A Basic Fund	no increase or decrease
Title II - A Fund	no increase or decrease
1997 Bond Issue Retirement Fund	\$ 24,766

**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, 2018**

As the District completed the year, the proprietary fund reported a cash and cash equivalent balance of \$1,550 on the Statement of Net Position for the proprietary fund. Expenses related to the operation of the Early Childhood Development Center totaled \$42,508 and were funded by tuition paid by individuals in the amount of \$43,925.

**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, 2018, the District's total capital assets were \$24,515,093, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$228,778 from 2017, due primarily to the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2018, was \$11,260,429, and total depreciation expense for the year was \$671,454, resulting in total net capital assets of \$13,254,664.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 759,736	\$ 759,736	0.00 %
Buildings	9,443,964	9,729,190	(2.93) %
Building improvements	838,633	924,902	(9.33) %
Improvements other than buildings	1,083,124	1,154,795	(6.21) %
Mobile equipment	1,057,101	984,587	7.36 %
Furniture and equipment	72,106	88,040	(18.10) %
<b>Total</b>	<u><u>\$ 13,254,664</u></u>	<u><u>\$ 13,641,250</u></u>	<b>(2.83) %</b>

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

**PEARL RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Debt Administration.** At June 30, 2018, the District had \$766,471 in outstanding long-term debt, excluding bond premium, of which \$61,963 is due within one year. During the fiscal year, the District made principal payments totaling \$492,693 on outstanding long-term debt. The liability for compensated absences decreased \$14,709 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ -	\$ 360,000	(100.00) %
Limited obligation bonds payable	-	78,000	(100.00) %
Obligations under energy efficiency leases	654,692	709,385	(7.71) %
Compensated absences payable	111,779	126,488	(11.63) %
<b>Total</b>	<b><u>\$ 766,471</u></b>	<b><u>\$ 1,273,873</u></b>	<b><u>(39.83) %</u></b>

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

## **CURRENT ISSUES**

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

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

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

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

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

## FINANCIAL STATEMENTS

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2018**

**Exhibit A**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,477,788	\$ 1,550	\$ 5,479,338
Due from other governments	829,282	-	829,282
Other receivables, net	53,348	-	53,348
Inventories	76,880	-	76,880
Restricted assets	388,199	-	388,199
Capital assets, non-depreciable:			
Land	759,736	-	759,736
Capital assets, net of accumulated depreciation:			
Buildings	9,443,964	-	9,443,964
Building improvements	838,633	-	838,633
Improvements other than buildings	1,083,124	-	1,083,124
Mobile equipment	1,057,101	-	1,057,101
Furniture and equipment	72,106	-	72,106
Total Assets	<u>20,080,161</u>	<u>1,550</u>	<u>20,081,711</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflow from advance refunding of debt	10,897	-	10,897
Deferred outflows - pensions	4,301,175	-	4,301,175
Deferred outflows - OPEB	110,927	-	110,927
Total Deferred Outflows of Resources	<u>4,422,999</u>	<u>-</u>	<u>4,422,999</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	265,578	-	265,578
Due to other governments	63,441	-	63,441
Unearned revenue	123,749	-	123,749
Long-term liabilities, due within one year:			
Non-capital related liabilities	61,963	-	61,963
Net OPEB liability	85,210	-	85,210
Long-term liabilities, due beyond one year:			
Capital related bond premium	337	-	337
Non-capital related liabilities	704,508	-	704,508
Net pension liability	35,839,539	-	35,839,539
Net OPEB liability	1,999,563	-	1,999,563
Total Liabilities	<u>39,143,888</u>	<u>-</u>	<u>39,143,888</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	1,161,460	-	1,161,460
Deferred inflows - OPEB	106,156	-	106,156
Total Deferred Inflows of Resources	<u>1,267,616</u>	<u>-</u>	<u>1,267,616</u>
<b>Net Position</b>			
Net investment in capital assets	13,265,224	-	13,265,224
Restricted for:			
Expendable:			
School-based activities	400,798	1,550	402,348
Debt service	335,817	-	335,817
Forestry improvements	111,940	-	111,940
Unemployment benefits	56,023	-	56,023
Non-expendable:			
Sixteenth section	382,009	-	382,009
Unrestricted	(30,460,155)	-	(30,460,155)
Total Net Position (deficit)	<u>\$ (15,908,344)</u>	<u>\$ 1,550</u>	<u>\$ (15,906,794)</u>

## PEARL RIVER COUNTY SCHOOL DISTRICT

Statement of Activities  
For the Year Ended June 30, 2018

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction	\$ 13,307,708	\$ 488,839	\$ 1,031,829	\$ (11,787,040)	\$ -	\$ (11,787,040)
Support services	9,881,150	-	1,275,020	(8,606,130)	-	(8,606,130)
Non-instructional	1,464,810	247,371	1,272,021	54,582	-	54,582
Sixteenth section	29,336	-	-	(29,336)	-	(29,336)
Pension expense	4,175,346	-	-	(4,175,346)	-	(4,175,346)
OPEB expense	107,347	-	-	(107,347)	-	(107,347)
Interest on long-term liabilities	46,741	-	-	(46,741)	-	(46,741)
Total Governmental Activities	29,012,438	736,210	3,578,870	(24,697,358)	-	(24,697,358)
Business-type Activities:						
Early Education Center	42,508	43,925	-	-	1,417	1,417
Total Business-type Activities	42,508	43,925	-	-	1,417	1,417
Total Primary Government	\$ 29,054,946	\$ 780,135	\$ 3,578,870	\$ (24,697,358)	\$ 1,417	\$ (24,695,941)
General Revenues:						
Taxes:						
General purpose levies				5,299,946	-	5,299,946
Debt purpose levies				427,899	-	427,899
Unrestricted grants and contributions:						
State				17,110,040	-	17,110,040
Federal				92,441	-	92,441
Unrestricted investment earnings				35,428	-	35,428
Sixteenth section sources				71,855	-	71,855
Other				175,173	-	175,173
Total General Revenues				23,212,782	-	23,212,782
Change in Net Position				(1,484,576)	1,417	(1,483,159)
Net Position (Deficit) - Beginning, as previously reported				(12,362,236)	133	(12,362,103)
Prior Period Adjustments				(2,061,532)	-	(2,061,532)
Net Position (Deficit) - Beginning, as restated				(14,423,768)	133	(14,423,635)
Net Position (Deficit) - Ending				\$ (15,908,344)	\$ 1,550	\$ (15,906,794)

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2018**

**Exhibit C**

	Major Funds					
	General Fund	Title I-A Basic Fund	Title II-A Fund	1997 Bond Issue Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 4,332,620	\$ -	\$ 123,911	\$ 333,753	\$ 1,069,513	\$ 5,859,797
Cash with fiscal agents	-	-	-	-	6,190	6,190
Due from other governments	292,144	233,638	-	13,201	156,272	695,255
Other receivables, net	53,348	-	-	-	-	53,348
Due from other funds	700,117	-	-	-	2,930	703,047
Inventories	-	-	-	-	76,880	76,880
Total Assets	<u>\$ 5,378,229</u>	<u>\$ 233,638</u>	<u>\$ 123,911</u>	<u>\$ 346,954</u>	<u>\$ 1,311,785</u>	<u>\$ 7,394,517</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 225,843	\$ 70	\$ 202	\$ -	\$ 39,463	\$ 265,578
Due to other funds	66,244	233,568	-	170,000	162,649	632,461
Deferred revenue	-	-	123,709	-	40	123,749
Total Liabilities	<u>292,087</u>	<u>233,638</u>	<u>123,911</u>	<u>170,000</u>	<u>202,152</u>	<u>1,021,788</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	76,880	76,880
Permanent fund principal	-	-	-	-	382,009	382,009
<b>Restricted:</b>						
Debt service	-	-	-	176,954	158,863	335,817
Forestry improvement purposes	-	-	-	-	111,940	111,940
Grant activities	-	-	-	-	27,767	27,767
Unemployment benefits	-	-	-	-	56,023	56,023
Child nutrition	-	-	-	-	296,151	296,151
<b>Assigned:</b>						
Activity funds	161,012	-	-	-	-	161,012
<b>Unassigned</b>	<u>4,925,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,925,130</u>
Total Fund Balances	<u>5,086,142</u>	<u>-</u>	<u>-</u>	<u>176,954</u>	<u>1,109,633</u>	<u>6,372,729</u>
Total Liabilities and Fund Balances	<u>\$ 5,378,229</u>	<u>\$ 233,638</u>	<u>\$ 123,911</u>	<u>\$ 346,954</u>	<u>\$ 1,311,785</u>	<u>\$ 7,394,517</u>

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2018

Exhibit C-1

Total fund balances for governmental funds \$ 6,372,729

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	3,670,522	
Furniture and equipment	846,851	
Accumulated depreciation	<u>(11,260,429)</u>	13,254,664

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 (35,839,539)

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	4,301,175	
Deferred inflows of resources related to pensions	<u>(1,161,460)</u>	(32,699,824)

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

Net OPEB liability (2,084,773)

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

Deferred outflows of resources related to OPEB	110,927	
Deferred inflows of resources related to OPEB	<u>(106,156)</u>	(2,080,002)

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

Energy efficiency lease obligations	(654,692)	
Compensated absences	(111,779)	
Unamortized charges	10,897	
Unamortized premiums	<u>(337)</u>	(755,911)

Net Position of governmental activities

\$ (15,908,344)

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2018

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Basic Fund	Title II-A Fund	1997 Bond Issue Retirement Fund		
<b>Revenues:</b>						
Local sources	\$ 5,956,332	\$ -	\$ -	\$ 402,876	\$ 310,966	\$ 6,670,174
State sources	17,290,997	-	-	-	493,739	17,784,736
Federal sources	84,781	788,379	32,212	-	2,091,606	2,996,978
Sixteenth section sources	73,180	-	-	-	2,794	75,974
Total Revenues	23,405,290	788,379	32,212	402,876	2,899,105	27,527,862
<b>Expenditures:</b>						
Instruction	13,195,915	201,938	944	-	1,133,907	14,532,704
Support services	9,216,471	557,143	31,268	-	861,665	10,666,547
Noninstructional services	-	29,298	-	-	1,473,431	1,502,729
Sixteenth section	27,292	-	-	-	2,044	29,336
Debt service:						
Principal	54,693	-	-	360,000	78,000	492,693
Interest	20,739	-	-	13,860	956	35,555
Other	-	-	-	4,250	450	4,700
Total Expenditures	22,515,110	788,379	32,212	378,110	3,550,453	27,264,264
Excess (Deficiency) of Revenues over (under) Expenditures	890,180	-	-	24,766	(651,348)	263,598
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	-	-	-	-	567,252	567,252
Operating transfers out	(567,252)	-	-	-	-	(567,252)
Total Other Financing Sources (Uses)	(567,252)	-	-	-	567,252	-
Net Change in Fund Balances	322,928	-	-	24,766	(84,096)	263,598
<b>Fund Balances:</b>						
July 1, 2017	4,763,214	-	-	152,188	1,188,107	6,103,509
Increase (Decrease) in inventory	-	-	-	-	5,622	5,622
June 30, 2018	\$ 5,086,142	\$ -	\$ -	\$ 176,954	\$ 1,109,633	\$ 6,372,729

**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, 2018**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 263,598

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	\$ 286,256	
Depreciation expense	<u>(671,454)</u>	(385,198)

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. (1,388)

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	492,693	
Accrued interest payable	<u>5,988</u>	498,681

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

Pension expense	(4,175,346)	
Contributions subsequent to the measurement date	<u>2,325,690</u>	(1,849,656)

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

OPEB expense	(107,347)	
Contributions subsequent to the measurement date	<u>88,877</u>	(18,470)

6. 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	14,709	
Change in inventory	5,622	
Amortization of deferred charges, premiums and discounts	<u>(12,474)</u>	7,857

<b>Change in Net Position of governmental activities</b>	<b>\$</b>	<b><u>(1,484,576)</u></b>
----------------------------------------------------------	-----------	---------------------------

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

Statement of Net Position  
June 30, 2018

Exhibit E

	Business-type Activities - Enterprise Fund
	Early Childhood Development Center
<b>Assets</b>	
Cash and cash equivalents	\$ 1,550
Total Assets	1,550
<b>Liabilities</b>	
Accounts payable and accrued liabilities	-
Total Liabilities	-
<b>Net Position</b>	
Restricted for Early Childhood Development	1,550
Total Net Position	\$ 1,550

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Proprietary Fund

Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2018

Exhibit F

	Business-type Activities - Enterprise Fund
	Early Childhood Development Center
<b>Operating revenues:</b>	
Charges for services - tuition	\$ 43,925
Total operating revenues	43,925
<b>Operating expenses:</b>	
Instruction	42,508
Total operating expenses	42,508
Operating income (loss)	1,417
Change in net position	1,417
Net Position - Beginning	133
Net Position - Ending	\$ 1,550

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Proprietary Fund**

**Statement of Cash Flows**

**Exhibit G**

**For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Fund
	<hr/>
	Early Childhood Development Center
	<hr/>
<b>Cash flows from operating activities:</b>	
Cash received from customers and users	\$ 43,925
Cash payments to employees and professional contractors for services	(38,121)
Cash payments to suppliers for goods and services	(4,387)
Net cash provided (used) by operating activities	<hr/> 1,417 <hr/>
Net increase (decrease) in cash and cash equivalents	1,417
Cash and cash equivalents, beginning of year	133
Cash and cash equivalents, end of year	<hr/> \$ 1,550 <hr/>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	\$ 1,417
Adjustments to reconcile operating income to net cash provided by operating activities:	
Total adjustments	<hr/> - <hr/>
Net cash provided (used) by operating activities	<hr/> \$ 1,417 <hr/>

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Fiduciary Funds

Statement of Fiduciary Net Position  
June 30, 2018

Exhibit H

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 2,282	\$ 1,392,148
Due from other funds	-	66,155
Total Assets	<u>2,282</u>	<u>\$ 1,458,303</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	500	\$ 1,290,235
Due to other funds	-	136,741
Due to student clubs	-	31,327
Total Liabilities	<u>500</u>	<u>\$ 1,458,303</u>
<b>Net Position</b>		
Held in trust	<u>1,782</u>	
Total Net Position	<u>\$ 1,782</u>	

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2018**

**Exhibit I**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 14
Contributions and donations from private sources	1,000
Total Additions	<u>1,014</u>
<b>Deductions</b>	
Scholarships awarded	<u>1,250</u>
Total Deductions	<u>1,250</u>
Change in Net Position	<u>(236)</u>
<b>Net Position</b>	
July 1, 2017	<u>2,018</u>
June 30, 2018	<u><u>\$ 1,782</u></u>

**Pearl River County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

#### **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 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.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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.

**Title I - A Basic Fund** - This fund accounts for resources from the grants to states to provide financial assistance to schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards.

**Title II - A Fund** - This fund accounts for resources from the grants to states to provide financial assistance to schools to help increase student academic achievement by improving teacher and principal quality and increasing the number of highly qualified teachers and principals in the schools.

**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 school 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.

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 account 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.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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.

#### FIDUCIARY FUNDS

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

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

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

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

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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

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

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

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

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

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.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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

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

###### Cash and cash equivalents

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

###### 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.

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.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

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

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

which are presented as a deferred outflow from advance refunding of debt, a deferred outflow for pensions, and a deferred outflow for OPEB.

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 two deferred inflow items which are presented as a deferred inflow for pensions and a deferred inflow for OPEB.

See Note 14 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 funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

#### 10. Pensions

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

#### 11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

#### 12. Fund Balances

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

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

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

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

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

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

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

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

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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.

#### 13. New Pronouncements

In June 2017, the GASB issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement is effective for fiscal years beginning after June 15, 2017.

#### **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.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, fiduciary funds, and proprietary fund was \$5,859,797, \$1,394,430, and \$1,550,

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$7,746,279 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 \$6,190.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 233,568
	1997 Bond Issue Retirement Fund	170,000
	Other governmental funds	162,622
	Fiduciary funds	133,927
Other governmental funds	General Fund	2,830
	Fiduciary funds	100
Fiduciary funds	General Fund	63,414
	Other governmental funds	27
	Fiduciary funds	2,714
Total		<u>\$ 769,202</u>

The primary purpose of interfund loans was to account for federal funds that were not received until after the year ended June 30, 2018.

#### B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ <u>567,252</u>

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

### Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$382,009 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$6,190 of the MAEP Limited Obligation Bond/Note Fund.

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

### Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 759,736	\$	\$	759,736
Total non-depreciable capital assets	759,736	-	-	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	1,791,781			1,791,781
Mobile equipment	3,407,129	263,393		3,670,522
Furniture and equipment	881,466	22,863	57,478	846,851
Total depreciable capital assets	23,526,579	286,256	57,478	23,755,357
<u>Less accumulated depreciation for:</u>				
Buildings	5,411,788	285,226		5,697,014
Building improvements	1,380,323	86,269		1,466,592
Improvements other than buildings	636,986	71,671		708,657
Mobile equipment	2,422,542	190,879		2,613,421
Furniture and equipment	793,426	37,409	56,090	774,745
Total accumulated depreciation	10,645,065	671,454	56,090	11,260,429
Total depreciable capital assets, net	12,881,514	(385,198)	1,388	12,494,928
Governmental activities capital assets, net	\$ 13,641,250	\$ (385,198)	\$ 1,388	\$ 13,254,664

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 348,206
Support services	270,556
Non-instructional	52,692
Total depreciation expense	\$ 671,454

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

### Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation refunding bonds payable	\$ 360,000	\$	\$ 360,000	\$ -	-
B. Limited obligation bonds payable	78,000		78,000	-	-
C. Obligations under energy efficiency leases	709,385		54,693	654,692	56,374
D. Compensated absences payable	126,488		14,709	111,779	5,589
Total	\$ 1,273,873	\$ -	\$ 507,402	\$ 766,471	\$ 61,963
Premium on debt issuance	\$ 677	\$	\$ 340	\$ 337	-
Total long term debt and premium	\$ 1,274,550	\$ -	\$ 507,742	\$ 766,808	\$ 61,963

#### A. General obligation bonds payable

This debt was paid off and retired during the fiscal year from the 2003 Retirement Fund.

#### B. Limited obligation bonds payable

This debt was paid off and retired during the fiscal year from the 1998 Bond Retirement Fund.

#### C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	3.03%	8/16/2013	8/16/2028	\$ 908,351	\$ 654,692

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 56,374	\$ 19,058	\$ 75,432
2020	58,106	17,326	75,432
2021	59,890	15,542	75,432
2022	61,731	13,701	75,432
2023	63,628	11,804	75,432
2024 – 2028	348,692	28,468	377,160
2029	6,271	16	6,287
Total	\$ 654,692	\$ 105,915	\$ 760,607

This debt will be retired from the General Fund.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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.

#### **D. 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. The total amount of bonds outstanding from prior year in the amount of \$360,000 were called and were paid in full as of June 30, 2018.

#### **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

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

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.

**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, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$2,325,690, \$2,178,331 and \$2,165,755, 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, 2018, the school district reported a liability of \$35,839,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018 net pension liability was 0.215597 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.000648 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,175,346. At June 30, 2018 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	\$ 517,836	\$ 261,511
Net difference between projected and actual earnings on pension plan investments		358,466
Changes of assumptions	819,391	60,887
Changes in proportion and differences between District contributions and proportionate share of contributions	638,258	480,596
District contributions subsequent to the measurement date	2,325,690	
<b>Total</b>	<b>\$ 4,301,175</b>	<b>\$ 1,161,460</b>

\$2,325,690 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

Year Ending June 30:

2019	\$	1,015,362
2020		449,200
2021		41,752
2022		(692,289)

*Actuarial assumptions.* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 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 2022, with males rates set forward one year.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

*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 Year Ended June 30, 2018

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 47,005,948	\$ 35,839,539	\$ 26,568,993

*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 – Other Postemployment Benefits (OPEB)**

#### **General Information about the OPEB Plan.**

*Plan description.* State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

#### *Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health

PEARL RIVER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2018

benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$88,877 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2018, the District reported a liability of \$2,084,773 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.26570857 percent. This was an increase of 0.00317447 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$107,347. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$	\$ 106156
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	22,050	
District contributions subsequent to the measurement date	88,877	
Total	\$ 110,927	\$ 106,156

\$88,877 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

Year Ending June 30:

2019	\$ (14,755)
2020	(14,755)
2021	(14,755)
2022	(14,755)
2023	(14,755)
Thereafter	(10,331)

*Actuarial assumptions.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023
Pre-Medicare	

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

# PEARL RIVER COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 2,139,831	\$ 2,084,773	\$ 2,043,772

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,925,428	\$ 2,084,773	\$ 2,266,683

*OPEB plan fiduciary net position.* The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

## Note 10 – 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

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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
2019	\$ 69,090
2020	69,090
2021	67,390
2022	53,769
2023	53,594
2024 – 2028	250,369
2029 – 2033	235,968
2034 – 2038	186,802
2039 – 2043	81,529
Total	<u>\$ 1,067,601</u>

#### Note 11 – Prior Period Adjustments

A summary of significant Net Position adjustment is as follows:

##### Exhibit B - Statement of Activities

Explanation	Amount
1. To restate fund balance for the effect of recording the net OPEB liability, deferred outflows and inflows related to OPEB, and OPEB expense	\$ <u>(2,061,532)</u>

#### Note 12 – 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 13 – 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.

## PEARL RIVER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

#### **Note 14 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$13,265,224 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$10,897 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next year.

The unrestricted net position (deficit) amount of (\$30,460,155) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,325,690 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$1,975,485 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$1,161,460 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

The unrestricted net position (deficit) amount of (\$30,460,155) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$88,877 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources totaling \$22,050 and deferred inflows of resources totaling \$106,156 related to OPEB at June 30, 2018, will be recognized in OPEB expense over the next 6 years.

#### **Note 15 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated June 14, 2010 creating the Center for Alternative Education. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Pearl River County School District and the Poplarville Special Municipal Separate School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Pearl River County School District has been designated as the lead school district for the Center for Alternative Education, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Center for Alternative Education.

**PEARL RIVER COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2018

**Revenues:**

Local Sources:

Tuition from other LEA's within the state:

Poplarville Special Municipal Separate School District	\$ 85,416
Total tuition from other LEA's within the state	<u>85,416</u>
Total Revenues	<u>85,416</u>

**Expenditures:**

Salaries	302,406
Employee benefits	103,397
Purchased professional and technical services	8,246
Purchased property services	38,647
Other purchased services	2,586
Supplies	10,385
Other	<u>488</u>
Total Expenditures	<u>466,155</u>

Excess (deficiency) of Revenues over (under) Expenditures      (380,739)

**Other Financing Sources (Uses):**

Transfers In	<u>380,739</u>
Total Other Financing Sources (Uses)	<u>380,739</u>

Net Change in Fund Balance      -

Fund Balance:

July 1, 2017	<u>-</u>
June 30, 2018	<u><u>\$ -</u></u>

**Note 16 - 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 the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On August 21, 2018, the district issued \$18,500,000 general obligation bonds that will be used for more than 40 new classrooms on two campuses, new libraries, 1,000 seat auditorium, and a brand new space for fine arts. The debt will be partially funded with EEF funds pledged for 10 years totaling \$958,020. It has an interest rate of 3.37% and will mature in 2038.

## REQUIRED SUPPLEMENTARY INFORMATION

**PEARL RIVER COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 5,596,444	\$ 5,956,332	\$ 5,956,332	\$ 359,888	\$ -
State sources	17,072,762	17,290,997	17,290,997	218,235	-
Federal sources	145,000	84,781	84,781	(60,219)	-
Sixteenth section sources	65,700	73,180	73,180	7,480	-
Total Revenues	22,879,906	23,405,290	23,405,290	525,384	-
<b>Expenditures:</b>					
Instruction	13,306,846	13,195,915	13,195,915	110,931	-
Support services	8,717,539	9,216,471	9,216,471	(498,932)	-
Sixteenth section	34,100	27,292	27,292	6,808	-
Debt service:					
Principal	250,500	54,693	54,693	195,807	-
Interest	25,000	20,739	20,739	4,261	-
Total Expenditures	22,333,985	22,515,110	22,515,110	(181,125)	-
Excess (Deficiency) of Revenues over (under) Expenditures	545,921	890,180	890,180	344,259	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	3,570,467	3,279,185	-	(291,282)	(3,279,185)
Operating transfers out	(4,084,788)	(3,846,437)	(567,252)	238,351	3,279,185
Total Other Financing Sources (Uses)	(514,321)	(567,252)	(567,252)	(52,931)	-
Net Change in Fund Balances	31,600	322,928	322,928	291,328	-
<b>Fund Balances:</b>					
July 1, 2017	4,763,214	4,763,214	4,763,214	-	-
June 30, 2018	\$ 4,794,814	\$ 5,086,142	\$ 5,086,142	\$ 291,328	\$ -

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Required Supplementary Information

## Budgetary Comparison Schedule

## Title I - A Basic Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 542,079	\$ 788,379	\$ 788,379	\$ 246,300	\$ -
Total Revenues	542,079	788,379	788,379	246,300	-
<b>Expenditures:</b>					
Instruction	-	201,938	201,938	(201,938)	-
Support services	519,800	557,143	557,143	(37,343)	-
Noninstructional services	22,279	29,298	29,298	(7,019)	-
Total Expenditures	542,079	788,379	788,379	(246,300)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -

## PEARL RIVER COUNTY SCHOOL DISTRICT

## Required Supplementary Information

## Budgetary Comparison Schedule

## Title II - A Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ -	\$ 32,212	\$ 32,212	\$ 32,212	\$ -
Total Revenues	-	32,212	32,212	32,212	-
<b>Expenditures:</b>					
Instruction	-	944	944	(944)	-
Support services	-	31,268	31,268	(31,268)	-
Total Expenditures	-	32,212	32,212	(32,212)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -

**Pearl River County School District**

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

## PERS

## Last 10 Fiscal Years\*

	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 35,839,539	38,395,259	34,327,488	23,981,987
District's proportion of the net pension liability	0.215597%	0.214949%	0.222069%	0.197575%
District's covered payroll	13,830,673	13,750,825	13,873,632	12,072,883
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	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

	2018	2017	2016	2015
Contractually required contribution	\$ 2,325,690	2,178,331	2,165,755	2,185,097
Contributions in relation to the contractually required contribution	2,325,690	2,178,331	2,165,755	2,185,097
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	14,766,286	13,830,673	13,750,825	13,873,632
Contributions as a percentage of covered payroll	15.75%	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**

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years\*

		2018
District's proportionate share of the net OPEB liability	\$	<u>2,084,773</u>
District's proportion of the net OPEB liability		0.26570857%
District's covered-employee payroll		11,937,555 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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.

\*\* The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, 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  
OPEB  
Last 10 Fiscal Years

Contractually required contribution	\$	<u>2018</u> 88,877	**
Contributions in relation to the contractually required contribution		88,877	**
Contribution deficiency (excess)	\$	<u>-</u>	
District's covered-employee payroll		9,757,136	
Contributions as a percentage of covered-employee payroll		0.91%	

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 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

\*\* The amounts reflected above only pertains to the Implicit Rate Subsidy as it relates to contributions.

## Pearl River County School District

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

### 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 consistent with accounting principles generally accepted in the United States of America.

### Pension Schedules

(1) *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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the

Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

## Pearl River County School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) *Changes in benefit provisions*

2016:

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

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

### OPEB Schedules

(1) *Changes of assumptions*

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017:

None

## Pearl River County School District

Notes to the Required Supplementary Information (Continued)  
For the Year Ended June 30, 2018

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trends rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

## SUPPLEMENTARY INFORMATION

**Pearl River County School District**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Pass-through Entity Identifying Number</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	185MS326N1099	10.553	\$ 303,667
National School Lunch Program	185MS326N1099	10.555	1,074,181
Total Child Nutrition Cluster			1,377,848
Total passed-through the Mississippi Department of Education			1,377,848
<b>Total U.S. Department of Agriculture</b>			<b>1,377,848</b>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps		12.xxx	66,036
<b>Total U.S. Department of Defense</b>			<b>66,036</b>
<b><u>U.S. Department of Education</u></b>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	788,379
Career and Technical Education - Basic Grants to States	V048A170024	84.048	30,454
Rural Education	S358B170024	84.358	32,439
Supporting Effective Instruction State Grants	S367A170023	84.367	32,212
Student Support and Academic Enrichment Program	S424A170025	84.424	9,463
Sub-total			892,947
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	601,952
Positive Behavior Specialist	H027A170108	84.027A	6,842
Special Education - Preschool Grants	H173A170113	84.173	31,791
Total Special Education Cluster			640,585
Total passed-through the Mississippi Department of Education			1,533,532
<b>Total U.S. Department of Education</b>			<b>1,533,532</b>
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	19,112
Total passed-through the Mississippi Department of Education			19,112
<b>Total U.S. Department of Health and Human Services</b>			<b>19,112</b>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>			<b>\$ 2,996,528</b>

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

## Pearl River County School District

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

### 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, 2018. 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

Donated commodities of \$85,351 are included in the National School Lunch Program.

**Schedule 2****Pearl River County School District**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2018

<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	\$ 19,976,583	14,962,487	1,002,621	1,667,506	2,343,969
Other	7,287,681	2,800,374	233,704	107,921	4,145,682
Total	\$ <u>27,264,264</u>	<u>17,762,861</u>	<u>1,236,325</u>	<u>1,775,427</u>	<u>6,489,651</u>
Total number of students *	<u>2,819</u>				
Cost per student	\$ <u>9,672</u>	<u>6,301</u>	<u>439</u>	<u>630</u>	<u>2,302</u>

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.

## OTHER INFORMATION

**PEARL RIVER COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 5,956,332	5,905,052	5,955,283	5,661,668
State sources	17,290,997	15,238,575	14,988,540	14,015,907
Federal sources	84,781	114,870	319,237	132,135
Sixteenth section sources	73,180	67,023	218,689	60,056
Total Revenues	<u>23,405,290</u>	<u>21,325,520</u>	<u>21,481,749</u>	<u>19,869,766</u>
<b>Expenditures:</b>				
Instruction	13,195,915	12,319,796	12,122,963	11,679,274
Support services	9,216,471	8,136,370	8,616,746	8,363,277
Noninstructional services	-	-	-	75
Sixteenth section	27,292	51,585	20,427	32,915
Facilities acquisition and construction	-	-	742,156	118,151
Debt service:				
Principal	54,693	53,063	51,481	49,947
Interest	20,739	22,369	23,951	25,485
Total Expenditures	<u>22,515,110</u>	<u>20,583,183</u>	<u>21,577,724</u>	<u>20,269,124</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>890,180</u>	<u>742,337</u>	<u>(95,975)</u>	<u>(399,358)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	269	82,096	-
Sale of other property	-	-	725	5,585
Operating transfers in	-	5,489	9,120	14,802
Operating transfers out	(567,252)	(490,329)	(524,692)	(482,867)
Total Other Financing Sources (Uses)	<u>(567,252)</u>	<u>(484,571)</u>	<u>(432,751)</u>	<u>(462,480)</u>
Net Change in Fund Balances	<u>322,928</u>	<u>257,766</u>	<u>(528,726)</u>	<u>(861,838)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,763,214	4,634,057	5,163,415	5,468,676
Fund reclassification	-	-	-	567,890
Prior period adjustment	-	(128,609)	(632)	(11,313)
Beginning of period, as restated	<u>4,763,214</u>	<u>4,505,448</u>	<u>5,162,783</u>	<u>6,025,253</u>
End of period	<u>\$ 5,086,142</u>	<u>4,763,214</u>	<u>4,634,057</u>	<u>5,163,415</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"**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 6,670,174	6,880,204	6,911,229	6,572,679
State sources	17,784,736	15,675,580	15,688,587	14,689,488
Federal sources	2,996,978	3,058,296	3,284,913	2,953,171
Sixteenth section sources	75,974	69,839	246,348	60,836
Total Revenues	<u>27,527,862</u>	<u>25,683,919</u>	<u>26,131,077</u>	<u>24,276,174</u>
<b>Expenditures:</b>				
Instruction	14,532,704	13,490,970	13,739,496	13,260,514
Support services	10,666,547	9,638,131	9,873,565	9,531,994
Noninstructional services	1,502,729	1,493,457	1,450,303	1,414,453
Sixteenth section	29,336	58,520	36,280	39,840
Facilities acquisition and construction	-	-	742,156	118,151
Debt service:				
Principal	492,693	833,063	804,481	1,778,947
Interest	35,555	60,684	87,034	112,046
Other	4,700	3,600	3,600	3,725
Total Expenditures	<u>27,264,264</u>	<u>25,578,425</u>	<u>26,736,915</u>	<u>26,259,670</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>263,598</u>	<u>105,494</u>	<u>(605,838)</u>	<u>(1,983,496)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	269	82,096	-
Sale of other property	-	-	1,175	5,585
Operating transfers in	567,252	497,445	533,905	506,041
Operating transfers out	(567,252)	(497,445)	(533,905)	(506,041)
Total Other Financing Sources (Uses)	<u>-</u>	<u>269</u>	<u>83,271</u>	<u>5,585</u>
Net Change in Fund Balances	<u>263,598</u>	<u>105,763</u>	<u>(522,567)</u>	<u>(1,977,911)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	6,103,509	6,135,328	6,653,345	8,628,921
Prior period adjustment	-	(128,609)	(927)	(11,313)
Beginning of period, as restated	<u>6,103,509</u>	<u>6,006,719</u>	<u>6,652,418</u>	<u>8,617,608</u>
Increase (Decrease) in inventory	5,622	(8,973)	5,477	13,648
End of period	<u>\$ 6,372,729</u>	<u>6,103,509</u>	<u>6,135,328</u>	<u>6,653,345</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, 2018, and the related notes to the financial statements, which collectively comprise the Pearl River County School District's basic financial statements, and have issued our report thereon dated January 3, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency Finding 2018-001.

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BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

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

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

The Pearl River County School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. The Pearl River County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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  
January 3, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pearl River County School District

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

We have audited Pearl River County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pearl River County School District's major federal programs for the year ended June 30, 2018. The Pearl River County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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## 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 programs for the year ended June 30, 2018.

## 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  
January 3, 2019

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, 2018, which collectively comprise the Pearl River County School District's basic financial statements and have issued our report thereon dated January 3, 2019. 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:

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **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 9 invoices out of 71 were over the 45-day statutory limitation.

### Cause:

Procedures need to be implemented and followed to ensure compliance with State laws.

### Effect:

The District was not in compliance with the Section 31-7-305, Miss. Code Ann. (1972).

### Recommendation:

We recommend that the school district comply with Section 31-7-305, Miss. Code Ann. (1972), and ensure that payments are made timely.

### Response:

The District will develop and implement internal controls to ensure payments are made in a timely manner and comply with State law.

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  
January 3, 2019

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, 2018**

**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? Yes.
3. Noncompliance material to financial statements? No.

**Federal Awards:**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173 & 84.027A	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.

**Section II: Financial Statement Findings**

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

## **Significant Deficiency**

### **Finding 2018-001**

#### Criteria:

The district is charged with the responsibility of designing and implementing a system of internal controls surrounding non-payroll expenditures and related liabilities that will effectively reduce the risk of financial statement misstatement and asset misappropriation to an acceptably low level.

#### Condition:

The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement.

We performed detailed testing on seventy one (71) non-payroll expenditure transactions. Our testing showed three (3) instances where invoices were not approved by the Director. Also, we noted six (6) instances where the purchase orders were dated after the invoice date. Finally, we noted nine (9) instances where the invoices were not paid within the 45 days time period.

#### Cause:

The district failed to design and implement a sound system of internal controls surrounding non-payroll expenditures and related payables.

#### Effect:

There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded. This risk further increases the likelihood that the financial statement information will not be complete and that a proper cut-off at the end of the fiscal year will not be made.

#### Recommendation:

We recommend the district develop a system of sound internal controls surrounding the cycle of non-payroll expenditures and related liabilities and begin steps to implement the system of controls.

### 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.

## AUDITEE'S CORRECTIVE ACTION PLAN

# Pearl River County School District

ALAN LUMPKIN  
*Superintendent of Education*

7441 Highway 11  
Carriere, Mississippi 39426

THOMAS BURLESON  
*Business Administrator*

MELISSA HOLSTON  
*Assistant Superintendent*

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

KIMBERLY ALFORD  
*Curriculum Coordinator*

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Pearl River County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2018:

### Finding

### Corrective Action Plan Details

2018-001

a. Name of Contact Person Responsible for Corrective Action

Name: T. J. Burleson  
Phone Number: 601-798-7744 ext. 1030

b. Corrective Action Planned:  
The District has developed and implemented an internal control to obtain proper Director Authorization, ensure timely payment of invoices, and issue purchase orders before invoicing for goods and services.

c. Anticipated Completion Date:  
January 1, 2019

