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PEARL PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2023

St. Clair CPA, PLLC  
Carriere, MS

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## INDEPENDENT AUDITOR'S REPORT

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Pearl Public School District

**Report on the Audit of the Financial Statements**

***Qualified and Unmodified Opinions***

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pearl Public School District's basic financial statements as listed in the table of contents.

***Summary of Opinions***

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – Child Nutrition Fund	Qualified
Major Fund – PJH Locker Room Facility Fund	Unmodified
Aggregate Remaining Fund Balance	Unmodified

***Qualified Opinion on Major Fund – Child Nutrition Fund***

In my opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Major Fund – Child Nutrition Fund as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, General Fund, Major Fund – PJH Locker Room Facility Fund and Aggregate Remaining Fund Balance.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund, Major Fund – PJH Locker Room Facility Fund, and the aggregate remaining fund information of the Pearl Public School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Basis for Qualified and Unmodified Opinions***

I conducted my audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Pearl Public School District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified and unmodified audit opinions.

#### **Matter Giving Rise to Qualified Opinion on Major Fund – Child Nutrition Fund**

Due to the timing of the audit engagement, I was unable to observe the counting of the physical ending inventories included in the Major Fund – Child Nutrition Fund. Furthermore, I was unable to apply other appropriate procedures to establish the existence of the inventories. The possible effects on the Major Fund – Child Nutrition Fund of undetected misstatements, if any, could be material but not pervasive.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pearl Public School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pearl Public School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pearl Public School District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

### ***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 9-16, 55-56, 57, 58, 59 and 60 respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pearl Public 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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic 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 my opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2024, on my consideration of the Pearl Public School District's internal control over financial reporting and on my 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 my 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 Public 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 Public School District's internal control over financial reporting and compliance.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC

Carriere, MS

May 29, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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PEARL PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

The following discussion and analysis of Pearl Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2023. 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 2023 decreased \$4,622,792, including a prior period adjustment of \$192,969, which represents a 76% decrease from fiscal year 2022. Total net position for 2022 increased \$3,651,031, including a prior period adjustment of (\$55,051), which represents a 37% increase from fiscal year 2021.
- General revenues amounted to \$38,753,938 and \$34,339,194, or 76% and 73% of all revenues for fiscal years 2023 and 2022, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,322,994, or 24% of total revenues for 2023, and \$12,821,200, or 27% of total revenues for 2022.
- The District had \$55,892,693 and \$43,454,312 in expenses for fiscal years 2023 and 2022; only \$12,322,994 for 2023 and \$12,821,200 for 2022 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$38,753,938 for 2023 were not adequate to provide for these programs. General revenues of \$34,339,194 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$40,173,283 in revenues and \$43,827,028 in expenditures for 2023, and \$36,100,123 in revenues and \$34,202,800 in expenditures in 2022. The General Fund's fund balance decreased by \$5,036,721, including a prior period adjustment of \$48,348, from 2022 to 2023, and increased by \$1,763,689, including a prior period adjustment of (3,551), from 2021 to 2022.
- Capital assets, including leased equipment and subscription-based IT assets, net of accumulated depreciation, increased by \$3,117,031, for 2023 and decreased by \$827,210 for 2022. The increase for 2023 was due primarily to the increase of construction in progress.
- Long-term debt, including the liability for compensated absences, bond premiums/discounts, and lease liabilities and subscription-based IT liabilities, decreased by \$918,210 for 2023 and decreased by \$949,219 for 2022. this decrease for 2023 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$37,345 for 2023 and increased by \$68,151 for 2022.

## 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.

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.

## **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 are included in one category: governmental funds.

**Governmental funds** – All 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.

## **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.

## **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 \$10,740,793 as of June 30, 2023.

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, 2023 and June 30, 2022.



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

	June 30, 2023	June 30, 2022	Percentage Change
Current assets	\$ 21,621,805	\$ 29,782,496	(27.40) %
Restricted assets	844,957	530,195	59.37 %
Lease receivable	3,519,011	0	N/A
Capital assets, net	52,909,507	49,803,257	6.24 %
Total assets	<u>78,895,280</u>	<u>80,115,948</u>	(1.52) %
Deferred outflows of resources	<u>14,353,416</u>	<u>11,121,527</u>	29.06 %
Current liabilities	3,859,953	3,283,674	17.55 %
Long-term debt outstanding	21,903,009	22,943,596	(4.54) %
Lease liability	9,188	0	N/A
SBITA liability	113,189	0	N/A
Net OPEB liability	2,204,931	48,797,022	(95.48) %
Net pension liability	69,689,203	2,759,045	2425.85 %
Total liabilities	<u>97,779,473</u>	<u>77,783,337</u>	25.71 %
Deferred inflows of resources	<u>6,210,016</u>	<u>19,572,139</u>	(68.27) %
Net position:			
Net investment in capital assets	31,335,708	27,284,684	14.85 %
Restricted	3,583,343	3,071,044	16.68 %
Unrestricted	(45,659,844)	(36,473,729)	(25.19) %
Total net position	<u>\$ (10,740,793)</u>	<u>\$ (6,118,001)</u>	(75.56) %

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)	\$(45,659,844)
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>60,190,686</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$14,530,842</u>

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

- Increase in net capital assets in the amount of \$3,117,031.
- The principal retirement of \$1,076,766 of long-term debt.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$51,076,932 and \$47,160,394, respectively. The total cost of all programs and services was \$55,892,693 for 2023 and \$43,454,312 for 2022.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

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

	Year Ended June 30, 2023	Year Ended June 30, 2022	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 4,103,302	\$ 3,022,111	35.78 %
Operating grants and contributions	7,447,174	8,898,939	(16.31) %
Capital Grants and Contributions	772,518	900,150	(14.18) %
General revenues:			
Property taxes	13,789,328	12,730,197	8.32 %
Grants and contributions not restricted	24,309,280	21,193,447	14.70 %
Investment earnings	153,559	3,952	3,785.60 %
Sixteenth section sources	374,660	218,876	71.17 %
Other	127,111	192,722	(34.04) %
Total revenues	<u>51,076,932</u>	<u>47,160,394</u>	8.30 %
Expenses:			
Instruction	27,705,808	21,772,367	27.25 %
Support services	16,389,608	15,070,734	8.75 %
Non-instructional	2,551,700	2,536,907	0.58 %
Sixteenth section	45,708	36,051	26.79 %
Pension expense	8,735,316	3,419,999	155.42 %
OPEB expense	(259,298)	(139,967)	(85.26) %
Interest on long-term liabilities	723,851	758,221	(4.53) %
Total expenses	<u>55,892,693</u>	<u>43,454,312</u>	28.62 %
Increase (Decrease) in net position	<u>(4,815,761)</u>	<u>3,706,082</u>	(229.94) %
Net Position, July 1, as previously reported	(6,118,001)	(9,769,032)	37.37 %
Prior Period Adjustment	192,969	(55,051)	450.53 %
Net Position, July 1, as restated	<u>(5,925,032)</u>	<u>(9,824,083)</u>	39.69 %
Net Position, June 30	<u>\$ (10,740,793)</u>	<u>\$ (6,118,001)</u>	(75.56) %

### 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.

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

	Total Expenses		Percentage
	2023	2022	Change
Instruction	\$ 27,705,808	\$ 21,772,367	27.25 %
Support services	16,389,608	15,070,734	8.75 %
Non-instructional	2,551,700	2,536,907	0.58 %
Sixteenth section	45,708	36,051	26.79 %
Pension Expense	8,735,316	3,419,999	155.42 %
OPEB Expense	(259,298)	(139,967)	(85.26) %
Interest on long-term liabilities	723,851	758,221	(4.53) %
Total expenses	<u>\$ 55,892,693</u>	<u>\$ 43,454,312</u>	28.62 %
	Net (Expense) Revenue		Percentage
	2023	2022	Change
Instruction	\$ (21,280,270)	\$ (15,103,594)	(40.90) %
Support services	(14,074,746)	(12,447,636)	(13.07) %
Non-instructional	1,030,894	992,422	3.88 %
Sixteenth section	(45,708)	(36,051)	(26.79) %
Pension Expense	(8,735,316)	(3,419,999)	(155.42) %
OPEB Expense	259,298	139,967	85.26 %
Interest on long-term liabilities	(723,851)	(758,221)	4.53 %
Total net (expense) revenue	<u>\$ (43,569,699)</u>	<u>\$ (30,633,112)</u>	(42.23) %

- Net cost of governmental activities (\$43,569,699 for 2023 and \$30,633,112 for 2022) was financed by general revenue, which is primarily made up of property taxes (\$13,789,328 for 2023 and \$12,730,197 for 2022) and state and federal revenues (\$24,309,280 for 2023 and \$21,193,447 for 2022). In addition, there was \$374,660 and \$218,876 in Sixteenth Section sources for 2023 and 2022, respectively.
- Investment earnings amounted to \$153,559 for 2023 and \$3,952 for 2022.

## 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 \$18,760,135, an decrease of \$4,719,300, which includes a prior period adjustment of (\$23,033) and an increase in inventory of \$25,091. \$9,797,788 or 52% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$8,962,347 or 48% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed

or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$5,036,721, which includes a prior period adjustment of \$48,348. The fund balance of Other Governmental Funds showed a decrease in the amount of \$71,483, which includes a prior period adjustment of (\$71,381). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Child Nutrition Fund	\$	388,904
PJH Locker Room Facility Fund		no increase or decrease

## 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.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2023, the District's total capital assets were \$84,465,565, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and leased and subscription-based IT assets. This amount represents an increase of \$4,959,376 from 2022. Total accumulated depreciation as of June 30, 2023, was \$31,556,058, and total depreciation expense for the year was \$2,006,846, resulting in total net capital assets of \$52,909,507.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Land	\$ 134,110	\$ 134,110	0.00 %
Construction in Progress	2,877,373	685,589	319.69 %
Buildings	42,881,551	44,160,455	(2.90) %
Building improvements	2,237,326	1,258,524	77.77 %
Improvements other than buildings	2,173,313	1,125,813	93.04 %
Mobile equipment	1,614,825	1,604,882	0.62 %
Furniture and equipment	864,030	823,103	4.97 %
Leased assets, net	8,985	10,781	(16.66) %
Leased SBITA, net	117,994	0	N/A
Total	<u>\$ 52,909,507</u>	<u>49,803,257</u>	6.24 %

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

**Debt Administration.** At June 30, 2023, the District had \$22,025,386 in outstanding long-term debt, of which \$1,153,482 is due within one year. The liability for compensated absences increased \$37,345 from the prior year.

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

	June 30, 2023	June 30, 2022	Percentage Change
General obligation bonds payable	\$ 20,125,000	\$ 21,055,000	(4.42) %
Bond Premiums	729,256	774,834	(5.88) %
Bond Discounts	(198,834)	(211,261)	(5.88) %
Limited tax promissory notes payable	796,000	900,000	(11.56) %
Lease Obligations	9,188	10,781	(14.78) %
Subscription based IT Liabilities	113,189	0	N/A
Compensated absences payable	451,587	414,242	9.02 %
Total	<u>\$ 22,025,386</u>	<u>\$ 22,943,596</u>	(4.00) %

Additional information on the District's long-term debt can be found in Note 7 included in this report.

## **CURRENT ISSUES**

The Pearl Public 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 plans to continue its sound financial management to meet the challenges of the future. The District has five schools: Pearl High School, Pearl Junior High School, Pearl Upper Elementary School, Northside Elementary School, and Pearl Lower Elementary School.

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

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

## BASIC FINANCIAL STATEMENTS

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## PEARL PUBLIC SCHOOL DISTRICT

Exhibit A

## Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 14,929,587
Cash with fiscal agent	27,177
Investments	5,171,019
Due from other governments	1,397,736
Lease receivables	3,519,011
Other receivables, net	614
Inventories	95,672
Restricted assets (Note 4)	844,957
Non-depreciable capital assets (Note 5)	
Land	134,110
Construction in progress	2,877,373
Depreciable capital assets, net of accumulated depreciation (Note 5)	
Buildings	42,881,551
Building improvements	2,237,326
Improvements other than buildings	2,173,313
Mobile equipment	1,614,825
Furniture and equipment	864,030
Leased assets	8,985
Subscription based IT assets	117,994
<b>Total Assets</b>	<u><u>78,895,280</u></u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 8)	13,683,558
Deferred outflow - OPEB (Note 9)	669,858
<b>Total Deferred Outflows of Resources</b>	<u><u>14,353,416</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,665,590
Interest payable on long-term liabilities	194,363
Long-term liabilities (Due within one year)	
Capital related liabilities (Note 7)	1,065,000
Non-capital related liabilities (Note 7)	36,127
Lease liabilities (Note 6)	1,668
SBITA liabilities (Note 6)	50,687
Net OPEB liability (Note 9)	107,203

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



PEARL PUBLIC SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2023

Exhibit A

	<u>Governmental Activities</u>
Long-term liabilities (Due beyond one year)	
Capital related liabilities (Note 7)	19,856,000
Unamortized bond premium (Note 7)	729,256
Unamortized bond discount (Note 7)	(198,834)
Non-capital related liabilities (Note 7)	415,460
Lease liabilities (Note 6)	7,520
SBITA liabilities (Note 6)	62,502
Net OPEB liability (Note 9)	2,097,728
Net pension liability (Note 8)	69,689,203
 Total Liabilities	 <u>97,779,473</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	1,470,027
Deferred inflows - OPEB (Note 9)	1,179,941
Deferred inflow - leases	3,560,048
 Total Deferred Inflows of Resources	 <u>6,210,016</u>
Net Position	
Net investment in capital assets	31,335,708
Restricted net position	
Expendable	
School-based activities	2,776,779
Debt service	150,810
Self insurance	45,720
Unemployment benefits	78,480
Non-expendable	
Sixteenth section	531,554
Unrestricted	<u>(45,659,844)</u>
 Total Net Position	 <u><u>\$ (10,740,793)</u></u>

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

PEARL PUBLIC SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2023

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 27,705,808	3,404,194	3,021,344		(21,280,270)
Support services	16,389,608	203	1,542,141	772,518	(14,074,746)
Non-instructional	2,551,700	698,905	2,883,689		1,030,894
Sixteenth section	45,708				(45,708)
Pension expense	8,735,316				(8,735,316)
OPEB expense	(259,298)				259,298
Interest on long-term liabilities	723,851				(723,851)
Total Governmental Activities	<u>55,892,693</u>	<u>4,103,302</u>	<u>7,447,174</u>	<u>772,518</u>	<u>(43,569,699)</u>
General Revenues					
Taxes					
General purpose levies					11,946,022
Debt purpose levies					1,843,306
Unrestricted grants and contributions					
State					24,201,563
Federal					107,717
Unrestricted investment earnings					153,559
Sixteenth section sources					374,660
Other					127,111
Total General Revenues					<u>38,753,938</u>
Changes in Net Position					<u>(4,815,761)</u>
Net Position - Beginning, as previously reported					(6,118,001)
Prior Period Adjustments (Note 10)					192,969
Net Position - Beginning - as restated					<u>(5,925,032)</u>
Net Position - Ending					<u>\$ (10,740,793)</u>

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

PEARL PUBLIC SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2023

Exhibit C

	Major Funds				
	General Fund	Child Nutrition Fund	PJH Locker Room Facility Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 2)	\$ 11,553,219	2,456,772	632,907	1,125,736	15,768,634
Cash with fiscal agent (Note 2)	27,177			5,910	33,087
Investments (Note 2)	5,171,019				5,171,019
Due from other governments	438,984			958,752	1,397,736
Lease receivable (Note 6)	3,519,011				3,519,011
Other receivables, net	614				614
Due from other funds (Note 3)	836,655				836,655
Inventories		95,672			95,672
Total Assets	<u>21,546,679</u>	<u>2,552,444</u>	<u>632,907</u>	<u>2,090,398</u>	<u>26,822,428</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable & accrued liabilities	2,973,950		632,907	58,733	3,665,590
Due to other funds (Note 3)				836,655	836,655
Total Liabilities	<u>2,973,950</u>	<u>0</u>	<u>632,907</u>	<u>895,388</u>	<u>4,502,245</u>
<b>Deferred Inflows of Resources</b>					
Leases (Note 6)	3,560,048				3,560,048
Total Deferred Inflows of Resources	<u>3,560,048</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,560,048</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,533,998</u>	<u>0</u>	<u>632,907</u>	<u>895,388</u>	<u>8,062,293</u>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Inventory		95,672			95,672
Permanent fund principal				531,554	531,554
<b>Restricted</b>					
Debt service				345,173	345,173
Forestry improvements				45,720	45,720
Unemployment benefits				78,480	78,480
Grant activities	30,252	2,456,772		194,083	2,681,107
<b>Committed</b>					
Facility improvements	4,455,459				4,455,459
<b>Assigned</b>					
School activities	503,816				503,816
After school programs	29,096				29,096
Band uniforms	40,932				40,932
Scoreboard & field maintenance	155,338				155,338
Unassigned	9,797,788				9,797,788
Total Fund Balances	<u>15,012,681</u>	<u>2,552,444</u>	<u>0</u>	<u>1,195,010</u>	<u>18,760,135</u>
Total Liabilities and Fund Balances	<u>\$ 17,986,631</u>	<u>2,552,444</u>	<u>632,907</u>	<u>2,090,398</u>	<u>23,262,380</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$ 21,546,679</u>	<u>2,552,444</u>	<u>632,907</u>	<u>2,090,398</u>	<u>26,822,428</u>

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

PEARL PUBLIC SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2023

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 18,760,135
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	134,110	
Construction in progress	2,877,373	
Buildings	66,898,291	
Building improvements	2,801,840	
Improvement other than buildings	3,544,042	
Mobile equipment	4,326,552	
Furniture and equipment	3,711,314	
Leases assets, net	8,985	
Subscription based IT assets, net	117,994	
Accumulated depreciation	<u>(31,510,994)</u>	52,909,507
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		(69,689,203)
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	13,683,558	
Deferred inflows of resources related to pensions	<u>(1,470,027)</u>	12,213,531
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		(2,204,931)
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	669,858	
Deferred inflows of resources related to OPEB	<u>(1,179,941)</u>	(510,083)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(20,125,000)	
Notes payable	(796,000)	
Lease obligations	(9,188)	
SBITA obligations	(113,189)	
Unamortized premiums	(729,256)	
Unamortized discounts	198,834	
Compensated absences	(451,587)	
Accrued interest payable	<u>(194,363)</u>	<u>(22,219,749)</u>
Total Net Position - Governmental Activities		<u>\$ (10,740,793)</u>

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

## PEARL PUBLIC SCHOOL DISTRICT

Exhibit D

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

For the Year Ended June 30, 2023

	Major Funds				
	General Fund	Child Nutrition Fund	PJH Locker Room Facility Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 15,491,815	704,690		1,849,684	18,046,189
State sources	24,201,563	26,255		404,579	24,632,397
Federal sources	107,717	2,824,035		4,964,823	7,896,575
Sixteenth section sources	372,188			2,472	374,660
Total Revenues	40,173,283	3,554,980	0	7,221,558	50,949,821
Expenditures					
Instruction	26,632,738			3,782,423	30,415,161
Support services	14,723,386	480,195		1,385,293	16,588,874
Noninstructional services	271,408	2,714,627		33,048	3,019,083
Sixteenth section	45,708				45,708
Facilities acquisition and construction	2,110,499		1,155,867	772,518	4,038,884
Debt service					
Principal (Note 7)	42,025			1,034,741	1,076,766
Interest	1,264			764,412	765,676
Other				2,500	2,500
Total Expenditures	43,827,028	3,194,822	1,155,867	7,774,935	55,952,652
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,653,745)	360,158	(1,155,867)	(553,377)	(5,002,831)
Other Financing Sources (Uses)					
SBITAs issued (Note 6)	154,362				154,362
Insurance loss recoveries (Note 13)	11,321				11,321
Sale of other property	115,755	35			115,790
Operating transfers in (Note 3)	51,148	3,992	1,155,867	837,801	2,048,808
Operating transfers out (Note 3)	(1,763,910)	(372)		(284,526)	(2,048,808)
Total Other Financing Sources (Uses)	(1,431,324)	3,655	1,155,867	553,275	281,473
Net Change in Fund Balances	(5,085,069)	363,813	0	(102)	(4,721,358)
Fund Balances					
July 1, 2022, as previously reported	20,049,402	2,163,540		1,266,493	23,479,435
Prior period adjustments (Note 10)	48,348			(71,381)	(23,033)
July 1, 2022, as restated	20,097,750	2,163,540	0	1,195,112	23,456,402
Increase in reserve for inventory		25,091			25,091
June 30, 2023	\$ 15,012,681	2,552,444	0	1,195,010	18,760,135

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

PEARL PUBLIC SCHOOL DISTRICT  
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, 2023

Exhibit D-1

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ (4,721,358)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	4,948,707	
Depreciation expense	<u>(2,051,910)</u>	2,896,797
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 asset sold.		
		(6,549)
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:		
Capital lease issued	(154,362)	
Payments of debt principal	1,076,766	
Accrued interest payable	<u>8,674</u>	931,078
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	(8,735,316)	
Contributions made subsequent to the measurement date	<u>4,432,189</u>	(4,303,127)
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	259,298	
Contributions made subsequent to the measurement date	<u>107,203</u>	366,501
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 the governmental funds. These activities include:		
Change in compensated absences	(37,345)	
Change in inventory reserve	25,091	
Amortization of deferred charges, premiums and discounts	<u>33,151</u>	<u>20,897</u>
Changes in Net Position of Governmental Activities		<u>\$ (4,815,761)</u>

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

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PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2023

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

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

**A. Financial Reporting Entity**

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

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

**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.

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.



PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2023

Fund Financial Statements - Separate financial statements are provided for governmental funds. 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.

Child Nutrition Fund - This special revenue fund is used to account for the federal funds whose use is restricted for services associated with providing meals to students.

PJH Locker Room Facility Fund - This capital projects fund is used to account for construction of the Pearl Junior High School multipurpose building in the school district and is financed with district funds.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### **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. 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,

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2023

as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

Ad valorem property taxes are levied by the governing authority of the city 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 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.

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

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

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

**Cash and cash equivalents**

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

**Investments**

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2023

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.

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

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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	**	**
Subscription IT asset	***	***
Intangible assets	**	**

(\*\*) A capitalization threshold amount has not been set for the right to use property assets. Right to use leased property asset will be amortized in a rational and systematic manner over the shorter of the lease term of the useful life of the underlying asset.

(\*\*\*) A capitalization threshold amount has not been set for the right to use subscription IT assets. Right to use subscription IT assets will be amortized in a rational and systematic manner over the shorter of the subscription term of the useful life of the underlying IT asset.

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 district has incurred deferred outflows which are presented as deferred outflows related to pensions and 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 district has incurred deferred inflows related to pensions, OPEB, and leases.

See Note 8, 9 and 14 for further details.

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
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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. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as the lessor for the leasing of sixteenth section trust lands, the school district uses the minimum, of 4% interest required by Mississippi statute for sixteenth section loans to calculate the net present value of future sixteenth section lease payments. When acting as the lessee, the school district uses the federal prime lending rate to calculate the present value of lease payments if the rate implicit in the lease is not known. See Notes 6 and 7 for details.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs.

11. 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 7 for details.

12. 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.

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13. 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 determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

14. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the official action taken by the school board documented in its official minutes. The action for fund balance commitment must occur on or prior to the balance sheet date. The district has committed \$6,184,196 for facility improvements.

*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 District Finance Director pursuant to authorization established by school board policy.

*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.

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 7.5 percent of general fund revenues for the year. If the unassigned fund balance at fiscal year-

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end falls below the goal, the District must develop a restoration plan to achieve and maintain the minimum fund balance.

15. Accounting Standards Update

GASB 96, Subscription-Based Information Technology Arrangements, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

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

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct 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 was \$15,768,634.

*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.

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### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$33,087.

### Investments

As of June 30, 2023, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AA+	Less than 1 year	\$ 4,126,437
Asset backed securities	AA+	Less than 5 years	291,773
		Less than 10 years	211,266
Municipal Bonds	AA	Less than 10 years	84,610
U.S. Agency Securities	AA+	Less than 5 years	238,380
		Less than 10 years	218,553
Total			<u>\$ 5,171,019</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2023: Investments of \$5,171,019 are valued using quoted market prices (Level 1 inputs).

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

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

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

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2023, the district did not have any investments to which this would apply.

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

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



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

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ <u>836,655</u>

Inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled back account. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the State and Federal governments.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Major Fund - PJH Locker Room Facility	\$ 1,155,867
	Major Fund - Child Nutrition Fund	3,992
	Other governmental funds	604,051
Major Fund -- Child Nutrition Fund	Other governmental funds	372
Other governmental funds	General Fund	51,148
	Other governmental funds	233,378
Total		<u>\$ 2,048,808</u>

The transfer out of the General Fund was for the purpose of funding the vocational program and unemployment compensation fund in the Other Governmental Funds and the construction project in the Major Fund - PJH Locker Room Facility. The transfers from Title II and Tile IV into Title I in the Other Governmental Funds was for transferability of funds as approved in the consolidated federal programs grant. The transfers from the Other Governmental Funds to the General Fund were for indirect costs.

**Note 4 – Restricted Assets**

The restricted assets of \$844,957 represent the cash balance and investment balance, totaling \$ 839,047 and \$5,910, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) and debt service funds which are legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

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	Balance 7/1/2022	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2023
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 134,110					\$ 134,110
Construction-in-progress	685,589	4,038,884		(2,063,102)	216,002	2,877,373
Total non-depreciable capital assets	819,699	4,038,884	0	(2,063,102)	216,002	3,011,483
<u>Depreciable capital assets:</u>						
Buildings	66,898,291					66,898,291
Building improvements	1,709,395			1,092,445		2,801,840
Improvements other than buildings	2,387,923	185,462		970,657		3,544,042
Mobile equipment	4,123,557	252,941	(49,946)			4,326,552
Furniture and equipment	3,556,543	310,158	(155,387)			3,711,314
Total depreciable capital assets	78,675,709	748,561	(205,333)	2,063,102	0	81,282,039
<u>Less accumulated depreciation for:</u>						
Buildings	22,737,836	1,278,904				24,016,740
Building improvements	450,871	113,643				564,514
Improvements other than buildings	1,262,110	108,619				1,370,729
Mobile equipment	2,518,675	238,003	(44,951)			2,711,727
Furniture and equipment	2,733,440	267,677	(153,833)			2,847,284
Total accumulated depreciation	29,702,932	2,006,846	(198,784)	0	0	31,510,994
Total depreciable capital assets, net	48,972,777	(1,258,285)	(6,549)	2,063,102	0	49,771,045
Governmental activities capital assets, net	\$ 49,792,476	\$ 2,780,599	\$ (6,549)	\$ 0	\$ 216,002	\$ 52,782,528

Leased equipment and subscription based IT assets, net (Note 6) 126,979

Total capital assets, net, as reported in the statement of net position \$ 52,909,507

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
Instruction	\$ 90,301
Support services	1,845,960
Non-instructional	<u>70,585</u>
Total depreciation expense - Governmental activities	<u>\$ 2,006,846</u>

Adjustments to construction-in-progress was made to recognize prior year construction expenditures to be capitalized which were originally not being capitalized.

The details of construction-in-progress are as follows:

	Spent to June 30, 2023	Remaining Commitment
<b>Governmental Activities:</b>		
HVAC Upgrades	\$ 1,721,506	\$ 55,447
PJH Multipurpose Building	1,155,867	7,308,053
Total governmental activities	<u>\$ 2,877,373</u>	<u>\$ 7,363,500</u>

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Construction projects included in governmental activities are funded with local funds committed for capital improvements and COVID-19 funding in the form of Elementary and Secondary School Emergency Funding (ESSER) grants.

**Note 6 – Intangible Right-to-Use Leases and Subscription Based IT Assets**

A summary of lease and subscription IT asset activity during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Remeasurments	Deductions	Balance 6/30/2023
<u>Lease assets:</u>					
Furniture and equipment	\$ 10,781				10,781
Total lease assets	10,781	0	0	0	10,781
<u>Less accumulated amortization:</u>					
Lease assets:					
Furniture and equipment		1,796			1,796
Total accumulated amortization	0	1,796	0	0	1,796
Total lease assets, net	10,781	(1,796)	0	0	8,985
Subscription IT assets		161,262			161,262
Less accumulated amortization		43,268			43,268
Subscription IT assets, net	0	117,994	0	0	117,994
Total lease and subscription IT assets, net	\$ 10,781	116,198	0	0	126,979

A summary of lease and subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Remeasurments	Deductions	Balance 6/30/2023	Amounts due within one year
Lease liabilities	10,781			(1,593)	9,188	1,668
Subscription IT		154,362		(41,173)	113,189	50,687
Total	10,781	154,362	0	(42,766)	122,377	52,355

**Leases**

The school district is a lessee for various noncancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that

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the lessor charges is known. The estimated incremental borrowing rate is the rate the district would expect to obtain a similar financed purchase at the date of lease inception.

The lease term includes the noncancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

**As Lessee:**

The district has two contracts for postage for a lease term of 6 years. The lease agreements can only be cancelled if both parties agree. There are no options to extend the lease agreements and no variable payment options.

For purposes of this note disclosure, leased equipment assets and liabilities are grouped into one category.

Description	Discount Rate	Term	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Postage machines	4.75%	6 years	6/28/2022	6/28/2028	\$ 10,781	9,188

The following is a schedule by years of the total payments due on the leased equipment assets:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 1,668	\$ 407	\$ 2,075
2025	1,749	326	2,075
2026	1,835	240	2,075
2027	1,922	153	2,075
2028	2,014	61	2,075
	<u>\$ 9,188</u>	<u>\$ 1,187</u>	<u>\$ 10,375</u>

**As Lessor:**

**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 (by lease agreement) is received for all uses of the trust lands, except for uses by the public schools. These future rental payments are from existing leases and do not anticipate renewals or new leases.

The school district uses the rate of 4% minimum interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the contract. The school district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the school district.

The school district, acting as lessor, has entered into 20 leases involving the lease of the right to use Sixteenth Section school lands. Such leases are leased for a term that corresponds with state law in accordance with the type of lease executed. The

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district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the district as part of the implementation of GASB Statement No. 87. The school district has, however, included in its financial statements at year end the present value of future lease payments of \$3,511,557 as a lease receivable and \$3,560,048 as deferred inflows of resources. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization.

The total amount of inflows of resources recognized during the current year is \$192,898.

The following are the future principal and interest payments to be received on the leases:

Year Ending June 30	Principal	Interest	Total
2024	\$ 149,793	\$ 140,462	\$ 290,255
2025	155,785	134,471	290,256
2026	162,016	128,239	290,255
2027	179,141	121,759	303,398
2028	149,438	114,593	285,745
2029 – 2033	658,317	492,458	1,150,775
2034 – 2038	770,024	351,650	1,121,674
2039 – 2043	847,747	190,728	1,038,475
2044 – 2048	78,506	80,794	159,300
2049 – 2053	76,199	66,301	142,500
2054 – 2058	92,708	49,792	142,500
2059 - 2063	112,793	29,707	142,500
Thereafter	79,090	6,410	85,500
Total	<u>\$ 3,511,557</u>	<u>\$ 1,907,364</u>	<u>\$ 5,418,921</u>

### Subscription Based IT Arrangements (SBITA)

The school district has contracts for multiple subscription-based IT arrangements for items such as software, user seats and various site licenses. For contracts that have a maximum possible term of 12 months or less at commencement, the school district recognizes expenses based on the provisions of the contract. For all other contracts, other than short term, the school district recognizes subscription liability and a right to use subscription asset.

At commencement, the school district initially measures the liability at the present value of payments expected during the subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measures as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalized implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT asset.

The school district generally uses its estimated incremental borrowing rate as the discount rate unless the rate that the vendor charges is known. The estimated incremental borrowing rate is the rate the district would be charged for borrowing the subscription payment amount during the subscription term.

The subscription term includes the noncancellable period of the contract plus any additional periods covered by either a school district or vendor option to extend for which it is reasonably certain to be exercised or terminate for which it is

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reasonably certain to not be exercised. Periods in which both the school district and the vendor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

Description	Discount Rate	Term	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Subscription-based IT liabilities	3.33%	1 - 3 years	7/1/2022	6/30/2026	<u>\$ 154,362</u>	<u>113,189</u>

Year Ending

<u>June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 50,687	\$ 2,865	\$ 53,552
2025	51,741	2,077	53,818
2026	10,761	359	11,120
	<u>\$ 113,189</u>	<u>\$ 5,301</u>	<u>\$ 118,490</u>

### Note 7 – Long-term Liabilities

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

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due within one year
A. General obligation bonds payable	\$ 21,055,000		930,000	20,125,000	960,000
B. Limited tax promissory notes payable	900,000		104,000	796,000	105,000
C. Compensated absences payable	414,242	37,345		451,587	36,127
Subtotal	<u>\$ 22,369,242</u>	<u>37,345</u>	<u>1,034,000</u>	<u>21,372,587</u>	<u>1,101,127</u>
Bond Premium	774,834		45,578	729,256	
Bond Discount	(211,261)		(12,427)	(198,834)	
Total	<u>\$ 22,932,815</u>	<u>37,345</u>	<u>1,067,151</u>	<u>21,903,009</u>	

#### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation, Series 2016	3 - 4%	21-Apr-16	1-Apr-39	<u>\$ 23,860,000</u>	<u>\$ 20,125,000</u>
				<u>\$ 23,860,000</u>	<u>\$ 20,125,000</u>

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

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Year Ending June 30	Principal	Interest	Total
2024	\$ 960,000	716,487	\$ 1,676,487
2025	990,000	687,687	1,677,687
2026	1,020,000	657,987	1,677,987
2027	1,060,000	617,188	1,677,188
2028	1,090,000	585,387	1,675,387
2029 – 2033	6,080,000	2,298,238	8,378,238
2034 – 2038	7,305,000	1,078,614	8,383,614
2039	1,620,000	56,700	1,676,700
Total	\$ 20,125,000	6,698,288	26,823,288

This debt will be retired from the Bond Retirement Fund (debt service fund). The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2023, the amount of outstanding bonded indebtedness was equal to 7.9% of property assessments as of October 1, 2022.

**B. Limited tax promissory notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Promissory Note, Series 2019	2.20%	21-Aug-19	21-Aug-29	\$ 1,100,000	\$ 796,000
Total				\$ 1,100,000	\$ 796,000

The amount outstanding is included in due from other government on the Statement of Net Position.

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 105,000	17,512	122,512
2025	109,000	15,202	124,202
2026	110,000	12,804	122,804
2027	114,000	10,384	124,384
2028	117,000	7,876	124,876
2029 – 2030	241,000	7,986	248,986
Total	\$ 796,000	71,764	867,764

This debt will be retired from the Tax Promissory Note Fund (Debt Service Fund).

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The limited tax promissory note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The debt requirements and the total revenue received pursuant to the Mississippi Accountability and Adequate Education Program Act was \$130,233 for the year ended June 30, 2023.

**C. 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 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 is available at [www.pers.ms.gov](http://www.pers.ms.gov).

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

*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, 2023 was 17.40% 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, 2023, 2022 and 2021 were \$4,432,189, \$4,055,587 and \$3,819,536, 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**



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At June 30, 2023, the school district reported a liability of \$69,689,203 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023 net pension liability was .338566 percent, which was based on a measurement date of June 30, 2022. This was an increase of .008420 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$8,735,316. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,138,008	\$ 415,802
Net difference between projected and actual earnings on pension plan investments	2,928,333	
Changes of assumptions	2,818,319	1,054,225
Changes in proportion and differences between District contributions and proportionate share of contributions	2,366,709	
District contributions subsequent to the measurement date	4,432,189	
Total	\$ <u>13,683,558</u>	\$ <u>1,470,027</u>

\$4,432,189 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2024	\$ 2,464,590
2025	2,464,590
2026	2,120,079
2027	732,083

*Actuarial assumptions.* The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female

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rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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 most recent 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>	
Domestic Equity	25.00	%	4.60	%
International Equity	20.00		4.50	
Global Equity	12.00		4.85	
Fixed Income	18.00		1.40	
Real Estate	10.00		3.65	
Private Equity	10.00		6.00	
Private Infrastructure	2.00		4.00	
Private Credit	2.00		4.00	
Cash Equivalents	1.00		(0.10)	
Total	100	%		

*Discount rate.* The discount rate used to measure the total pension liability was 7.55 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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the 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 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 90,951,527	\$ 69,689,203	\$ 52,159,498

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

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**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. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

*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 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 \$107,203 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,204,931 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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

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date of June 30, 2022, the District's proportion was .44753453 percent. This was an increase of .01889971 percent from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$259,298). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,826	\$ 955,267
Changes of assumptions	343,894	204,147
Net difference between projected and actual earnings on OPEB plan investments	152	
Changes in proportion and differences between District contributions and proportionate share of contributions	216,783	20,527
District contributions subsequent to the measurement date	107,203	
Total	\$ <u>669,858</u>	\$ <u>1,179,941</u>

\$107,203 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2024	\$ (156,094)
2025	(123,753)
2026	(150,952)
2027	(109,469)
2028	( 55,009)
Thereafter	( 22,009)

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate Measurement Date	3.37%

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Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2029 FYE

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*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 (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 2,429,003	\$ 2,204,931	\$ 2,012,455

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Notes to the Financial Statements  
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*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	\$ 2,051,530	\$ 2,204,931	\$ 2,377,563

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

#### Note 10 – Prior Period Adjustments

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

##### Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior period in recording an asset or liability	\$ (23,033)
2. Restatement of prior period expenditures to construction in progress	216,002
Total	<u>\$ 192,969</u>

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

Fund	Explanation	Amount
General Fund	Error correction of a prior period recording of an asset/liability	\$ 48,348
Other governmental funds	Error correction of a prior period recording of an asset/liability	<u>(71,381)</u>
Total		<u>\$ (23,033)</u>

#### Note 11 – 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.

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2023

**Note 12 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 48 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 48 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

**Note 13 - Insurance loss recoveries**

The Pearl Public School District received \$11,321 in insurance loss recoveries related to bus and water damage during the 2022-2023 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenue.

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

The unrestricted net position amount of (\$45,659,844) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$4,432,189 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The \$9,251,369 balance of deferred outflow of resources related to pensions, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$45,659,844) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,470,027 balance of deferred inflow of resources related to pensions, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$45,659,844) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$107,203 resulting from the school district contribution subsequent to the measurement date will be recognized as a

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reduction of the net OPEB liability in the year ended June 30, 2024. The \$562,655 balance of deferred outflow of resources related to OPEB, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$45,659,844) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,179,941 balance of deferred inflow of resources related to OPEB, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$45,659,844) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$3,560,048 balance of deferred inflow of resources related to leases, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 42 years.

**Note 15 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Pearl Public School District evaluated the activity of the district through May 29, 2024, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.



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## REQUIRED SUPPLEMENTARY INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$13,429,498	15,491,815	15,491,815	2,062,317	0
State sources	23,563,527	24,201,563	24,201,563	638,036	0
Federal sources	14,000	52,997	107,717	38,997	54,720
Sixteenth section sources	278,262	372,188	372,188	93,926	0
Total Revenues	<u>37,285,287</u>	<u>40,118,563</u>	<u>40,173,283</u>	<u>2,833,276</u>	<u>54,720</u>
Expenditures					
Instruction	23,413,401	26,582,830	26,632,738	(3,169,429)	(49,908)
Support services	13,504,589	14,607,501	14,723,386	(1,102,912)	(115,885)
Noninstructional services	406,728	271,408	271,408	135,320	0
Sixteenth section	44,750	45,708	45,708	(958)	0
Facilities acquisition and construction	1,075,000	2,110,499	2,110,499	(1,035,499)	0
Debt service					
Principal	0	0	42,025	0	(42,025)
Interest	0	0	1,264	0	(1,264)
Total Expenditures	<u>38,444,468</u>	<u>43,617,946</u>	<u>43,827,028</u>	<u>(5,173,478)</u>	<u>(209,082)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,159,181)</u>	<u>(3,499,383)</u>	<u>(3,653,745)</u>	<u>(2,340,202)</u>	<u>(154,362)</u>
Other Financing Sources (Uses)					
SBITAS issued	0	0	154,362	0	154,362
Insurance loss recoveries	0	11,321	11,321	11,321	0
Sale of transportation equipment	0	5,755	0	5,755	(5,755)
Sale of other property	0	110,000	115,755	110,000	5,755
Operating transfers in	7,253,817	7,609,353	51,148	355,536	(7,558,205)
Operating transfers out	(9,451,157)	(9,322,115)	(1,763,910)	129,042	7,558,205
Total Other Financing Sources (Uses)	<u>(2,197,340)</u>	<u>(1,585,686)</u>	<u>(1,431,324)</u>	<u>611,654</u>	<u>154,362</u>
Net Change in Fund Balances			<u>(5,085,069)</u>		
Fund Balances					
July 1, 2022, as previously reported			20,049,402		
Prior period adjustments			48,348		
July 1, 2022, as restated			<u>20,097,750</u>		
June 30, 2023			<u>\$15,012,681</u>		

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

## PEARL PUBLIC SCHOOL DISTRICT

## Budgetary Comparison Schedule for the Major Special Revenue Fund - Child Nutrition Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 631,104	704,690	704,690	73,586	0
State sources	32,212	26,255	26,255	(5,957)	0
Federal sources	2,124,577	2,824,035	2,824,035	699,458	0
Total Revenues	<u>2,787,893</u>	<u>3,554,980</u>	<u>3,554,980</u>	<u>767,087</u>	<u>0</u>
Expenditures					
Support services	393,976	480,195	480,195	(86,219)	0
Noninstructional services	2,606,725	2,679,793	2,714,627	(73,068)	(34,834)
Total Expenditures	<u>3,000,701</u>	<u>3,159,988</u>	<u>3,194,822</u>	<u>(159,287)</u>	<u>(34,834)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(212,808)</u>	<u>394,992</u>	<u>360,158</u>	<u>607,800</u>	<u>(34,834)</u>
Other Financing Sources (Uses)					
Sale of other property	0	35	35	(35)	0
Operating transfers in	0	3,992	3,992	(3,992)	0
Operating transfers out	(55,737)	(372)	(372)	55,365	0
Total Other Financing Sources (Uses)	<u>(55,737)</u>	<u>3,655</u>	<u>3,655</u>	<u>51,338</u>	<u>0</u>
Net Change in Fund Balances			<u>363,813</u>		
Fund Balances					
July 1, 2022			<u>2,163,540</u>		
Increase in reserve for inventory			<u>25,091</u>		
June 30, 2023			<u>\$ 2,552,444</u>		

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

PEARL PUBLIC SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years \*

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
District's proportion of the net pension liability	0.338566%	0.330146%	0.322548%	0.312083%
District's proportionate share of the net pension liability	\$ 69,689,203	48,797,022	62,441,545	54,901,556
District's covered payroll	\$ 23,307,971	21,951,356	21,477,690	20,325,162
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.73%	270.12%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.313500%	0.309100%	0.311300%	0.302100%	0.290000%
District's proportionate share of the net pension liability	\$ 52,146,027	51,382,911	55,605,953	46,698,703	35,200,690
District's covered payroll	\$ 20,020,641	19,829,187	19,911,537	18,874,521	17,694,654
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.26%	247.42%	198.93%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	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 the FYE 6-30-15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PEARL PUBLIC SCHOOL DISTRICT  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually required contribution	4,432,189	4,055,587	3,819,536	3,737,118
Contributions in relation to the contractually required contribution	4,432,189	4,055,587	3,819,536	3,737,118
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	25,472,351	23,307,971	21,951,356	21,477,690
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	3,201,213	3,153,251	3,123,097	3,136,067	2,972,737
Contributions in relation to the contractually required contribution	3,201,213	3,153,251	3,123,097	3,136,067	2,972,737
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	20,325,162	20,020,641	19,829,187	19,911,537	18,874,521
Contributions as a percentage of covered payroll	15.75%	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 Statement 68 was implemented in the FYE 6-30-15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PEARL PUBLIC SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net OPEB Liability  
OPEB  
Last 10 Fiscal Years \*

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.44753453%	0.42863482%	0.41692024%	0.41967819%	0.41614222%	0.40478408%
District's proportionate share of the net OPEB liability	\$ 2,204,931	2,759,045	3,244,507	3,561,142	3,219,068	3,175,972
Covered employee payroll	\$ 23,307,971	21,951,356	21,477,690	20,325,162	20,020,641	19,829,187
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	9.46%	12.57%	15.11%	17.52%	16.08%	16.02%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	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.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.



PEARL PUBLIC SCHOOL DISTRICT  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 107,203	89,856	110,861	129,390	142,742	135,396
Contributions in relation to the actuarially determined contribution	107,203	89,856	110,861	129,390	142,742	135,396
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 25,472,351	23,307,971	21,951,356	21,477,690	20,235,162	20,020,641
Contributions as a percentage of covered employee payroll	0.42%	0.39%	0.51%	0.60%	0.71%	0.68%

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 Statement 75 was implemented in the 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. Prior year information is based on historical amounts reported in prior year audit report(s).

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2023

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue 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 PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2023

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

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2023

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

(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, 2020 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2023

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

- (3) *Methods and assumptions used in calculations 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, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

## SUPPLEMENTARY INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	235MS326N1099	\$ 707,463
National school lunch program	10.555	235MS326N1099	2,452,897
Summer food service program for children	10.559	235MS326N1099	29,955
Total child nutrition cluster			<u>3,190,315</u>
Total passed-through Mississippi Department of Education			<u>3,190,315</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,190,315</u>
<b><u>U.S. Department of Defense</u></b>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	<u>76,739</u>
<b>Total U.S. Department of Defense</b>			<u>76,739</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010A	S010A220024	1,141,463
Career and technical education - basic grants to states	84.048A	V048A220024	55,671
English language acquisition grants	84.365A	S365A220024	32,257
Supporting effective instruction - state grants	84.367A	S367A220023	181,919
Student support and academic enrichment program	84.424A	S424A220025	37,136
Total			<u>1,448,446</u>
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) I	84.425D	S425D200031	6,381
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	996,344
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425U210031	759,493
COVID-19 - Early childhood PreK grant (ESSER II)	84.425D	S425D210031	94,305
COVID-19 - ESSER II - Healthy Schools	84.425D	S425D210031	64,000
Total education stabilization funds			<u>1,920,523</u>
Special education cluster:			
Special education - grants to states	84.027A	H027A220108	1,196,074
COVID-19 - Special education - grants to states ARP	84.027X	H027X210108	217,512
Total special education - grants to states			<u>1,413,586</u>
Special education - preschool grants	84.173A	H173A220113	24,342
COVID-19 - Special education - preschool grants ARP	84.173X	H173X220113	14,575
Total special education - preschool grants			<u>38,917</u>
Total special education cluster			<u>1,452,503</u>
Total passed-through Mississippi Department of Education			<u>4,821,472</u>
<b>Total U.S. Department of Education</b>			<u>4,821,472</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2305MS5ADM	12,302
Total Medicaid cluster			<u>12,302</u>
Total passed-through Mississippi Department of Education			<u>12,302</u>



PEARL PUBLIC SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<b>Total U.S. Department of Health and Human Services</b>			<u>12,302</u>
<b><u>U.S. Department of Social Security Administration</u></b>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social security disability insurance	96.001	04-19-04MSD100	<u>420</u>
Total passed-through the Mississippi Department of Rehabilitation Services			<u>420</u>
<b>Total U.S. Department of Social Security Administration</b>			<u>420</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed-through the Mississippi Department of Public Safety:			
Homeland Security Grant Program	97.067	2022-A2	<u>36,722</u>
Total passed-through the Mississippi Department of Public Safety			<u>36,722</u>
<b>Total U.S. Department of Homeland Security</b>			<u>36,722</u>
Total for All Federal Awards			<u><u>\$ 8,137,970</u></u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Supplementary Information  
For the Year Ended June 30, 2023

(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, 2023. 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 reported on the modified accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards

Donated commodities of \$ 245,687 are included in the national school lunch program.

(5) Other Items

As allowed by federal regulations, the school district elected to transfer program funds. The district expended \$33,820 from its Supporting Effective Instruction - State Grants ALN# 84.367 and \$73,882 from Student Support and Academic Enrichment Program ALN# 84.424 on allowable activities of the Title I - Grants to Local Educational Agencies ALN# 84.010. These amounts are reflected in the expenditures of Title I - Grants to Local Educational Agencies.

For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.

PEARL PUBLIC SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2023

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 34,841,240	27,672,232	1,744,009	2,515,953	2,909,046
Other	21,111,412	5,932,760	712,572	50,411	14,415,669
Total	<u>55,952,652</u>	<u>33,604,992</u>	<u>2,456,581</u>	<u>2,566,364</u>	<u>17,324,715</u>
Total number of students	<u>4,157</u>				
Cost per student	<u>\$ 13,460</u>	<u>8,084</u>	<u>591</u>	<u>617</u>	<u>4,168</u>

Notes to the schedule.

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.

Total number of students - includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

## OTHER INFORMATION

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PEARL PUBLIC SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

	UNAUDITED			
	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 15,491,815	14,060,096	14,464,014	13,359,219
State sources	24,201,563	21,791,161	20,863,912	20,451,304
Federal sources	107,717	25,523	78,385	20,018
Sixteenth section sources	372,188	223,343	335,571	340,184
Total Revenues	<u>40,173,283</u>	<u>36,100,123</u>	<u>35,741,882</u>	<u>34,170,725</u>
Expenditures				
Instruction	26,632,738	21,168,416	19,936,219	20,207,092
Support services	14,723,386	12,716,358	11,320,100	11,183,197
Noninstructional services	271,408	247,304	251,555	287,296
Sixteenth section	45,708	36,051	24,993	29,698
Facilities acquisition and construction	2,110,499	33,562	0	112,140
Debt service				
Principal	42,025	1,087	0	0
Interest	1,264	22	0	0
Total Expenditures	<u>43,827,028</u>	<u>34,202,800</u>	<u>31,532,867</u>	<u>31,819,423</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,653,745)</u>	<u>1,897,323</u>	<u>4,209,015</u>	<u>2,351,302</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	1,100,000
Leases issued	0	5,762	0	0
SBITAs issued	154,362	0	0	0
Insurance loss recoveries	11,321	0	0	8,615
Refund of prior year expenditures	0	13,260	6,478	0
Sale of transportation equipment	0	1,984	42	12,882
Sale of other property	115,755	1,500	4,218	350
Operating transfers in	51,148	571,516	76,957	87,317
Operating transfers out	(1,763,910)	(724,105)	(3,092,591)	(4,366,084)
Total Other Financing Sources (Uses)	<u>(1,431,324)</u>	<u>(130,083)</u>	<u>(3,004,896)</u>	<u>(3,156,920)</u>
Net Change in Fund Balances	<u>(5,085,069)</u>	<u>1,767,240</u>	<u>1,204,119</u>	<u>(805,618)</u>
Fund Balances:				
Beginning of period, as previously reported	20,049,402	18,285,713	17,067,177	17,815,435
Prior period adjustments	48,348	(3,551)	14,417	57,360
Beginning of period, as restated	<u>20,097,750</u>	<u>18,282,162</u>	<u>17,081,594</u>	<u>17,872,795</u>
End of period	<u>\$ 15,012,681</u>	<u>20,049,402</u>	<u>18,285,713</u>	<u>17,067,177</u>

\* Source - Prior year audit reports.

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

	UNAUDITED			
	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 18,046,189	15,918,153	16,415,362	15,566,458
State sources	24,632,397	22,363,019	21,886,651	21,413,656
Federal sources	7,896,575	8,629,518	7,395,169	4,401,481
Sixteenth section sources	374,660	224,806	349,805	354,130
Total Revenues	<u>50,949,821</u>	<u>47,135,496</u>	<u>46,046,987</u>	<u>41,735,725</u>
Expenditures				
Instruction	30,415,161	24,562,416	24,927,846	22,859,548
Support services	16,588,874	14,648,016	12,725,310	13,648,230
Noninstructional services	3,019,083	2,752,473	2,151,774	2,120,750
Sixteenth section	45,708	36,051	24,993	29,698
Facilities acquisition and construction	4,038,884	722,894	2,724,757	2,893,526
Debt service				
Principal	1,076,766	996,087	960,000	830,000
Interest	765,676	802,204	838,788	847,788
Other	2,500	2,500	2,500	2,500
Total Expenditures	<u>55,952,652</u>	<u>44,522,641</u>	<u>44,355,968</u>	<u>43,232,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,002,831)</u>	<u>2,612,855</u>	<u>1,691,019</u>	<u>(1,496,315)</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	1,100,000
SBITAS issued	154,362	0	0	0
Leases issued	0	10,781	0	0
Insurance loss recoveries	11,321	0	0	8,615
Refund of prior year expenditures	0	13,260	6,478	0
Sale of transportation equipment	0	1,984	42	12,882
Sale of other property	115,790	1,669	4,218	350
Operating transfers in	2,048,808	1,295,621	3,169,548	4,704,933
Operating transfers out	(2,048,808)	(1,295,621)	(3,169,548)	(4,704,933)
Total Other Financing Sources (Uses)	<u>281,473</u>	<u>27,694</u>	<u>10,738</u>	<u>1,121,847</u>
Net Change in Fund Balances	<u>(4,721,358)</u>	<u>2,640,549</u>	<u>1,701,757</u>	<u>(374,468)</u>
Fund Balances:				
Beginning of period, as previously reported	23,479,435	20,826,656	19,140,108	19,416,772
Prior period adjustments	(23,033)	(3,551)	14,418	57,360
Beginning of period, as restated	<u>23,456,402</u>	<u>20,823,105</u>	<u>19,154,526</u>	<u>19,474,132</u>
Increase (Decrease) in reserve for inventory	<u>25,091</u>	<u>15,781</u>	<u>(29,627)</u>	<u>40,444</u>
End of period	<u>\$ 18,760,135</u>	<u>23,479,435</u>	<u>20,826,656</u>	<u>19,140,108</u>

\* Source - Prior year audit reports.

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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*

**Independent Auditor's Report**

Superintendent and School Board  
Pearl Public School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pearl Public School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Pearl Public School District's basic financial statements, and have issued my report thereon dated May 29, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Pearl Public School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearl Public School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Pearl Public School District's internal control.

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

My 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. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a material weakness [2023-001].

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pearl Public School District's financial statements are free from material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Pearl Public School District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Pearl Public School District's response to the finding identified in my audit and described in the accompanying schedule of findings and questioned costs. Pearl Public School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

## **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.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
May 29, 2024

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Pearl Public School District

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

***Opinion on Each Major Federal Program***

I have audited Pearl Public School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pearl Public School District's major federal programs for the year ended June 30, 2023. Pearl Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Pearl Public School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

I am required to be independent of Pearl Public School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Pearl Public School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pearl Public School District's federal programs.

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## ***Auditor's Responsibilities for the Audit of Compliance***

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pearl Public School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pearl Public School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I did

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pearl Public School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Pearl Public School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Pearl Public School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

## **Report on 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 a 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.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC

Carriere, MS

May 29, 2024

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



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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Superintendent and School Board  
Pearl Public School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2023, which collectively comprise Pearl Public School District's basic financial statements and have issued my report thereon dated May 29, 2024. I conducted my 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. My report differed from the standard report because of a scope limitation due to the timing of the audit engagement. I was unable to observe the counting of physical material food service inventories included in Major Fund – Child Nutrition Fund.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC

Carriere, MS

May 29, 2024

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PEARL PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

Section I: Summary of Auditor's Results

**Financial Statements:**

1. Type of auditor's report issued:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – Child Nutrition Fund	Qualified
Major Fund – PJH Locker Room Facility Fund	Unmodified
Aggregate Remaining Fund Balance	Unmodified

2. Internal control over financial reporting:

- |  |               |
|--|---------------|
| a. Material weakness(es) identified?       | Yes           |
| b. Significant deficiency(ies) identified? | None Reported |

3. Noncompliance material to the 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 programs:

Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

7. Federal program identified as major program:

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – grants to local educational agencies
84.425D	COVID-19 – Education Stabilization Fund (ESSER) I
84.425D	COVID-19 – Education Stabilization Fund (ESSER) II
84.425U	COVID-19 – Education Stabilization Fund (ESSER) ARP III
84.425D	COVID-19 – Early childhood PreK grant (ESSER II)
84.425D	COVID-19 – ESSER II – Healthy schools

8. Dollar threshold used to distinguish between type A and type B programs:

\$750,000

9. Auditee qualified as a low-risk auditee?

Yes

10. Prior fiscal year audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b).

Yes

PEARL PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

Section II: Financial Statement Findings

Deficiency considered to be a material weakness.

**Finding 2023-001**

CRITERIA: The auditing standards require that an independent observation and testing of a material inventory account balance must be performed.

CONDITION: There was no independent observation of the year-end Child Nutrition Program inventory account balance.

CAUSE: The cause of the condition is an absence of controls regarding independent observation and testing of the inventory account balance when the account is material to the financial statements.

EFFECT: The effect of this condition results in a modified opinion on the financial statements.

RECOMMENDATION: It is recommended that the Child Nutrition Program inventory account balance be closely monitored at or near year-end to determine whether the account balance appears to be material to the financial statements. When the account balance appears to be material, then management should employ the services of an independent party to observe and test the year-end procedures performed by the district's staff.

VIEWS OF RESPONSIBLE OFFICIALS: See Auditee's Corrective Action Plan.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR AUDIT FINDINGS



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## PEARL PUBLIC SCHOOL DISTRICT

3375 HIGHWAY 80 EAST

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PEARL, MISSISSIPPI 39288-5750

### 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 Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2023.

#### Finding 2023-001

#### Corrective Action Plan

a. Contact person responsible for corrective action:

- Paige Broman, Chief Financial Officer

b. Description of corrective action to be taken:

1. Review and Assessment:

- Review year-end inventory each year after May inventory and assess if observation is required.

2. Independent Observation:

- Schedule with an independent auditor in May of each year, if required, to observe inventory.

3. Implementation of Controls:

- Develop and implement robust internal controls to monitor the inventory account balance regularly.
- Provide training to relevant staff on the new procedures and emphasize the importance of maintaining accurate inventory records.

4. Monitoring and Reporting:

- Set up a process for regular monitoring and periodic reviews of the inventory balances throughout the summer feeding program.
- Report any significant variances or issues to the management in a timely manner.

c. Anticipated completion date of corrective action:

- The corrective actions will be initiated immediately, with the independent observation scheduled to coincide with the next fiscal year-end inventory count.

Sincerely,

Paige Broman  
Chief Financial Officer



## PEARL PUBLIC SCHOOL DISTRICT

3375 HIGHWAY 80 EAST

P. O. Box 5750

PEARL, MISSISSIPPI 39288-5750

### Summary Schedule of Prior Audit Findings

As required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Pearl Public School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2023.

<u>Finding</u>	<u>Status</u>
2022 – 001	Corrected

Sincerely,

Paige Broman  
Chief Financial Officer