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PEARL PUBLIC SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2022



PEARL PUBLIC SCHOOL DISTRICT  
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# INDEPENDENT AUDITOR'S REPORT

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# SUZANNE E. SMITH, CPA, PLLC

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## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Pearl Public School District

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

##### ***Opinions***

We 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, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pearl Public School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### ***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.

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

Our 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 our 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*, we

- 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 our 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.

We are 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 we 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), 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our 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 our 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.

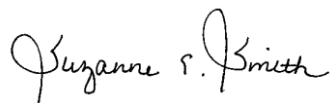
### ***Other Information***

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 our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our 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, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023, on our consideration of the Pearl Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pearl 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.



Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi

January 6, 2023

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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PEARL PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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, 2022. 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 2022 increased \$3,651,031 including a prior period adjustment of (\$55,051), which represents a 37% increase from fiscal year 2021. Total net position for 2021 increased \$1,018,935, including a prior period adjustment of (\$1,327), which represents a 9% increase from fiscal year 2020.
- General revenues amounted to \$34,339,194 and \$34,744,763, or 73% and 75% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,821,200, or 27% of total revenues for 2022, and \$11,312,962, or 25% of total revenues for 2021.
- The District had \$43,454,312 and \$45,037,463 in expenses for fiscal years 2022 and 2021; only \$12,821,200 for 2022 and \$11,312,962 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$34,339,194 for 2022 and \$34,744,763 for 2021 were adequate to provide for these programs.
- Among major funds, the General Fund had \$36,100,123 in revenues and \$34,202,800 in expenditures for 2022, and \$35,741,882 in revenues and \$31,532,867 in expenditures in 2021. The General Fund's fund balance increased by \$1,763,689, including a prior period adjustment of (\$3,551), from 2021 to 2022, and increased by \$1,218,536, including a prior period adjustment of \$14,417, from 2020 to 2021.
- Capital assets, net of accumulated depreciation, decreased by \$827,210, including a prior period adjustment of (\$50,413), for 2022 and increased by \$966,513, including a prior period adjustment of (\$14,126), for 2021. The decrease for 2022 was due to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences and including bond premiums and discounts, decreased by \$949,219 for 2022 and decreased by \$973,622 for 2021. This decrease for 2022 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$68,151 for 2022 and increased by \$17,709 for 2021.

## 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

PEARL PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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.



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Management's Discussion and Analysis  
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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 \$6,118,001 as of June 30, 2022.

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, 2022 and June 30, 2021.

PEARL PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 29,782,496	\$ 22,445,837	32.69%
Restricted assets	530,195	528,847	0.25%
Capital assets, net	49,803,257	50,630,467	-1.63%
<b>Total assets</b>	<b>80,115,948</b>	<b>73,605,151</b>	<b>8.85%</b>
<b>Deferred outflows of resources</b>	<b>11,121,527</b>	<b>9,451,251</b>	<b>17.67%</b>
Current liabilities	3,283,674	2,361,897	39.03%
Long-term debt outstanding	22,943,596	23,892,815	-3.97%
Net pension liability	48,797,022	62,441,545	-21.85%
Net OPEB liability	2,759,045	3,244,507	-14.96%
<b>Total liabilities</b>	<b>77,783,337</b>	<b>91,940,764</b>	<b>-15.40%</b>
<b>Deferred inflows of resources</b>	<b>19,572,139</b>	<b>864,670</b>	<b>2163.54%</b>
<b>Net position:</b>			
Net investment in capital assets	27,284,684	27,083,743	0.74%
Restricted	3,071,044	2,379,042	29.09%
Unrestricted	(36,473,729)	(39,231,817)	7.03%
<b>Total net position</b>	<b>\$ (6,118,001)</b>	<b>\$ (9,769,032)</b>	<b>37.37%</b>

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)	( \$36,473,729)
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	56,254,060
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 19,780,331</u>

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

- Increase in current assets in the amount of \$7,336,659.
- Increase in deferred outflows of resources in the amount of \$1,670,276.
- Increase in current liabilities in the amount of \$921,777.
- Decrease in the net pension liability in the amount of \$13,644,523.
- Decrease in the net OPEB liability in the amount of \$485,462.
- Increase in the deferred inflows of resources in the amount of \$18,707,469.
- The principal retirement of \$996,087 of long-term debt.

PEARL PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$47,160,394 and \$46,057,725, respectively. The total cost of all programs and services was \$43,454,312 for 2022 and \$45,037,463 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

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

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3,022,111	\$ 2,885,586	4.73%
Operating grants and contributions	8,898,939	8,422,101	5.66%
Capital Grants and Contributions	900,150	5,275	16964.45%
General revenues:			
Property taxes	12,730,197	13,037,483	-2.36%
restricted	21,193,447	20,854,444	1.63%
Investment earnings	3,952	458,364	-99.14%
Sixteenth section sources	218,876	295,564	-25.95%
Other	192,722	98,908	94.85%
<b>Total revenues</b>	<b><u>47,160,394</u></b>	<b><u>46,057,725</u></b>	<b><u>2.39%</u></b>
<b>Expenses:</b>			
Instruction	21,772,367	23,538,678	-7.50%
Support services	15,070,734	11,785,197	27.88%
Non-instructional	2,536,907	2,344,812	8.19%
Sixteenth section	36,051	24,993	44.24%
Pension expense	3,419,999	6,478,189	-47.21%
OPEB expense	(139,967)	67,565	-307.16%
Interest on long-term liabilities	758,221	798,029	-4.99%
<b>Total expenses</b>	<b><u>43,454,312</u></b>	<b><u>45,037,463</u></b>	<b><u>-3.52%</u></b>
<b>Increase (Decrease) in net position</b>	<b><u>3,706,082</u></b>	<b><u>1,020,262</u></b>	<b><u>263.25%</u></b>
<b>Net Position, July 1, as previously reported</b>	<b><u>(9,769,032)</u></b>	<b><u>(10,787,967)</u></b>	<b><u>9.45%</u></b>
<b>Prior Period Adjustment</b>	<b><u>(55,051)</u></b>	<b><u>(1,327)</u></b>	<b><u>-4048.53%</u></b>
<b>Net Position, July 1, as restated</b>	<b><u>(9,824,083)</u></b>	<b><u>(10,789,294)</u></b>	<b><u>8.95%</u></b>
<b>Net Position, June 30</b>	<b><u>(6,118,001)</u></b>	<b><u>(9,769,032)</u></b>	<b><u>37.37%</u></b>

**Governmental activities**

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

PEARL PUBLIC SCHOOL DISTRICT  
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presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Net cost of governmental activities [(\$30,633,112) for 2022 and (\$33,724,501) for 2021] was financed by general revenue, which is primarily made up of property taxes (\$12,730,197 for 2022 and \$13,037,483 for 2021) and state and federal revenues (\$21,193,447 for 2022 and \$20,854,444 for 2021). In addition, there was \$218,876 and \$295,564 in Sixteenth Section sources for 2022 and 2021, respectively.

Investment earnings amounted to \$3,952 for 2022 and \$458,364 for 2021.

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2022</b>	<b>2021</b>	
Instruction	\$ 21,772,367	\$ 23,538,678	-7.50%
Support services	15,070,734	11,785,197	27.88%
Non-instructional	2,536,907	2,344,812	8.19%
Sixteenth section	36,051	24,993	44.24%
Pension Expense	3,419,999	6,478,189	-47.21%
OPEB Expense	(139,967)	67,565	-307.16%
Interest on long-term liabilities	758,221	798,029	-4.99%
<b>Total expenses</b>	<b>\$ 43,454,312</b>	<b>\$ 45,037,463</b>	<b>-3.52%</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2022</b>	<b>2021</b>	
Instruction	\$ (15,103,594)	\$ (16,147,699)	6.47%
Support services	(12,447,636)	(10,149,505)	-22.64%
Non-instructional	992,422	(58,521)	1795.84%
Sixteenth section	(36,051)	(24,993)	-44.24%
Pension Expense	(3,419,999)	(6,478,189)	47.21%
OPEB Expense	139,967	(67,565)	307.16%
Interest on long-term liabilities	(758,221)	(798,029)	4.99%
<b>Total net (expense) revenue</b>	<b>\$ (30,633,112)</b>	<b>\$ (33,724,501)</b>	<b>9.17%</b>

**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 \$23,479,435, an increase of \$2,652,779, which includes a prior period adjustment of (\$3,551) and an increase in inventory of \$15,781. \$10,794,715 or 46% of the fund balance is unassigned, which represents the residual classification for the

PEARL PUBLIC SCHOOL DISTRICT  
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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 \$12,684,720 or 54% 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 increase in fund balance in the General Fund for the fiscal year was \$1,763,689, including a prior period adjustment of (\$3,551). The fund balance of Other Governmental Funds showed an increase in the amount of \$889,090, which includes an increase in reserve for inventory of \$15,781, due primarily to an increase in the fund balance of the Child Nutrition Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase(Decrease)
ESSER II Fund	No change

### 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, 2022, the District's total capital assets were \$79,506,189, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$935,821, including a prior period adjustment of (\$50,413), from 2021. Total accumulated depreciation as of June 30, 2022, was \$29,702,932, and total depreciation expense for the year was \$1,963,838, resulting in total net capital assets of \$49,803,257.

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

	June 30, 2022	June 30, 2021	Percentage Change
Land	\$ 134,110	\$ 134,110	0.00%
Construction in Progress	685,589	51,500	1231.24%
Buildings	44,160,455	45,487,044	-2.92%
Building Improvements	1,258,524	1,245,595	1.04%
Improvements other than buildings	1,125,813	1,143,687	-1.56%
Mobile equipment	1,604,882	1,740,673	-7.80%
Furniture and equipment	823,103	827,858	-0.57%
Intangible assets	10,781	-	N/A
<b>Total</b>	<b>\$ 49,803,257</b>	<b>\$ 50,630,467</b>	<b>-1.63%</b>

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

**Debt Administration.** At June 30, 2022, the District had \$22,943,596 in outstanding long-term debt, including compensated absences and including bond premiums and discounts, of which \$1,035,593 is due

PEARL PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

within one year. The liability for compensated absences increased \$68,151 from the prior year.

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 21,055,000	\$ 21,950,000	-4.08%
Bond premiums	\$ 774,834	\$ 820,412	-5.56%
Bond discount	\$ (211,261)	\$ (223,688)	5.56%
Limited tax promissory notes payable	\$ 900,000	\$ 1,000,000	-10.00%
Lease obligations	\$ 10,781	\$ -	N/A
Compensated absences payable	\$ 414,242	\$ 346,091	19.69%
<b>Total</b>	<b><u>\$ 22,943,596</u></b>	<b><u>\$ 23,892,815</u></b>	<b><u>-3.97%</u></b>

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.

## FINANCIAL STATEMENTS

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**PEARL PUBLIC SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2022**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 22,192,012
Cash with fiscal agents	152,426
Investments	938,056
Due from other governments	2,179,586
Leases receivable	3,655,589
Other receivables, net	594,246
Inventories	70,581
Restricted assets	530,195
Capital assets, net of accumulated depreciation	49,803,257
Total Assets	<u>80,115,948</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	10,450,805
Deferred outflows - OPEB	670,722
Total deferred outflows of resources	<u>11,121,527</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,080,637
Interest payable on long-term liabilities	203,037
Long-term liabilities, due within one year:	
Capital related liabilities	1,034,000
Non-capital related liabilities	1,593
Net OPEB liability	89,856
Long-term liabilities, due beyond one year:	
Capital related liabilities	20,921,000
Non-capital related liabilities	423,430
Unamortized bond premium	774,834
Unamortized bond discount	(211,261)
Net pension liability	48,797,022
Net OPEB liability	2,669,189
Total Liabilities	<u>77,783,337</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	14,826,328
Deferred inflows - OPEB	993,192
Deferred inflows - leases	3,752,619
Total deferred inflows of resources	<u>19,572,139</u>
<b>Net Position</b>	
Net investment in capital assets	27,284,684
Restricted for:	
Expendable:	
School-based activities	2,458,383
Forestry improvements	44,606
Unemployment benefits	37,860
Non-expendable:	
Sixteenth section	530,195
Unrestricted	(36,473,729)
Total Net Position	<u>\$ (6,118,001)</u>

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

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**PEARL PUBLIC SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2022**

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
<b>Governmental Activities:</b>					
Instruction	\$ 21,772,367	2,855,839	3,812,934		(15,103,594)
Support services	15,070,734		1,971,071	652,027	(12,447,636)
Non-instructional	2,536,907	166,272	3,114,934	248,123	992,422
Sixteenth section	36,051				(36,051)
Pension expense	3,419,999				(3,419,999)
OPEB expense	(139,967)				139,967
Interest on long-term liabilities	758,221				(758,221)
<b>Total Governmental Activities</b>	<b>\$ 43,454,312</b>	<b>3,022,111</b>	<b>8,898,939</b>	<b>900,150</b>	<b>\$ (30,633,112)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
					11,048,186
					1,682,011
<b>Unrestricted grants and contributions:</b>					
					21,167,924
					25,523
					3,952
					218,876
					192,722
					<u>34,339,194</u>
					<u>3,706,082</u>
					(9,769,032)
					<u>(55,051)</u>
					<u>(9,824,083)</u>
					<u>\$ (6,118,001)</u>

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

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## PEARL PUBLIC SCHOOL DISTRICT

## Governmental Funds

## Balance Sheet

Exhibit C

June 30, 2022

	Major Funds			Total Governmental Funds
	General Fund	ESSER II Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 19,284,770		3,437,437	22,722,207
Cash with fiscal agents	152,383		43	152,426
Investments	938,056			938,056
Due from other governments	483,339	676,007	1,020,240	2,179,586
Leases receivable	3,655,589			3,655,589
Other receivables	594,246			594,246
Due from other funds	1,062,998		2,020	1,065,018
Inventories			70,581	70,581
Total assets	26,171,381	676,007	4,530,321	31,377,709
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 2,367,340	608,103	105,194	3,080,637
Due to other funds	2,020	67,904	995,094	1,065,018
Total Liabilities	2,369,360	676,007	1,100,288	4,145,655
<b>Deferred Inflows of Resources:</b>				
Deferred inflows - leases	3,752,619			3,752,619
Total deferred inflows of resources	3,752,619	0	0	3,752,619
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory			70,581	70,581
Permanent fund principal			530,195	530,195
<b>Restricted:</b>				
Debt service			172,893	172,893
Forestry improvement purposes			44,606	44,606
Grant activities	62,995		2,324,807	2,387,802
Unemployment benefits			37,860	37,860
<b>Committed:</b>				
Facility improvements	7,246,659			7,246,659
<b>Assigned:</b>				
Student activities	415,810			415,810
Vocational			208,612	208,612
After school programs	18,723			18,723
Scoreboard and Field Maintenance	420,750			420,750
Facility improvements	1,089,750			1,089,750
Unemployment			40,479	40,479
<b>Unassigned</b>	10,794,715			10,794,715
Total Fund Balances	20,049,402	0	3,430,033	23,479,435
Total liabilities, deferred inflows of resources and fund balances	\$ 26,171,381	676,007	4,530,321	31,377,709

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

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**PEARL PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**

**Exhibit C-1**

**June 30, 2022**

**Total fund balances for governmental funds** \$ 23,479,435

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

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

Land	\$	134,110	
Construction in progress		685,589	
Buildings		66,898,291	
Building improvements		1,709,395	
Improvements other than buildings		2,387,923	
Mobile equipment		4,123,557	
Furniture and equipment		3,556,543	
Intangible assets		10,781	
Accumulated depreciation		<u>(29,702,932)</u>	49,803,257

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

Net pension liability (48,797,022)

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		10,450,805	
Deferred inflows of resources related to pensions		<u>(14,826,328)</u>	(53,172,545)

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

Net OPEB liability (2,759,045)

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		670,722	
Deferred inflows of resources related to OPEB		<u>(993,192)</u>	(3,081,515)

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

General obligation bonds payable		(21,055,000)	
Limited tax promissory notes payable		(900,000)	
Unamortized premiums		(774,834)	
Unamortized discounts		211,261	
Lease obligations		(10,781)	
Compensated absences payable		(414,242)	
Accrued interest payable		<u>(203,037)</u>	(23,146,633)

**Net Position of governmental activities** \$ (6,118,001)

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

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**PEARL PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

**For the Year Ended June 30, 2022**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	ESSER II Fund		
<b>Revenues:</b>				
Local sources	\$ 14,060,096		1,858,057	15,918,153
State sources	21,791,161		571,858	22,363,019
Federal sources	25,523	956,616	7,647,379	8,629,518
Sixteenth section sources	223,343		1,463	224,806
<b>Total Revenues</b>	<b>36,100,123</b>	<b>956,616</b>	<b>10,078,757</b>	<b>47,135,496</b>
<b>Expenditures:</b>				
Instruction	21,168,416	3,478	3,390,522	24,562,416
Support services	12,716,358	233,207	1,698,451	14,648,016
Noninstructional services	247,304		2,505,169	2,752,473
Sixteenth section	36,051			36,051
Facilities acquisition and construction	33,562	652,027	37,305	722,894
Debt service:				
Principal	1,087		995,000	996,087
Interest	22		802,182	802,204
Other			2,500	2,500
<b>Total Expenditures</b>	<b>34,202,800</b>	<b>888,712</b>	<b>9,431,129</b>	<b>44,522,641</b>
Excess (Deficiency) of Revenues over (under) Expenditures	1,897,323	67,904	647,628	2,612,855
<b>Other Financing Sources (Uses):</b>				
Leases issued	5,762		5,019	10,781
Refund of prior year expenditures	13,260			13,260
Sale of transportation equipment	1,984			1,984
Sale of other property	1,500		169	1,669
Operating transfers in	571,516		724,105	1,295,621
Operating transfers out	(724,105)	(67,904)	(503,612)	(1,295,621)
<b>Total Other Financing Sources (Uses)</b>	<b>(130,083)</b>	<b>(67,904)</b>	<b>225,681</b>	<b>27,694</b>
<b>Net Change in Fund Balances</b>	<b>1,767,240</b>	<b>0</b>	<b>873,309</b>	<b>2,640,549</b>
<b>Fund Balances:</b>				
July 1, 2021, as previously reported	18,285,713	0	2,540,943	20,826,656
Prior period adjustments	(3,551)			(3,551)
July 1, 2021, as restated	18,282,162	0	2,540,943	20,823,105
Increase in reserve for inventory			15,781	15,781
<b>June 30, 2022</b>	<b>\$ 20,049,402</b>	<b>0</b>	<b>3,430,033</b>	<b>23,479,435</b>

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

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**PEARL PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2022**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 2,640,549

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

<p>1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p> <table border="0" style="width:100%; margin-left:20px;"> <tr> <td style="width:50%;">Capital outlay</td> <td style="width:10%; text-align:right;">\$ 1,196,382</td> <td style="width:40%;"></td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align:right;"><u>(1,963,838)</u></td> <td style="text-align:right;">(767,456)</td> </tr> </table>	Capital outlay	\$ 1,196,382		Depreciation expense	<u>(1,963,838)</u>	(767,456)					
Capital outlay	\$ 1,196,382										
Depreciation expense	<u>(1,963,838)</u>	(767,456)									
<p>2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.</p>		(9,341) (9,341)									
<p>3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:</p> <table border="0" style="width:100%; margin-left:20px;"> <tr> <td style="width:50%;">Leases issued</td> <td style="width:10%; text-align:right;">(10,781)</td> <td style="width:40%;"></td> </tr> <tr> <td>Payments of debt principal</td> <td style="text-align:right;">996,087</td> <td></td> </tr> <tr> <td>Accrued interest payable</td> <td style="text-align:right;"><u>10,832</u></td> <td style="text-align:right;">996,138</td> </tr> </table>	Leases issued	(10,781)		Payments of debt principal	996,087		Accrued interest payable	<u>10,832</u>	996,138		
Leases issued	(10,781)										
Payments of debt principal	996,087										
Accrued interest payable	<u>10,832</u>	996,138									
<p>4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:</p> <table border="0" style="width:100%; margin-left:20px;"> <tr> <td style="width:50%;">Pension expense</td> <td style="width:10%; text-align:right;">(3,419,999)</td> <td style="width:40%;"></td> </tr> <tr> <td>Contributions subsequent to the measurement date</td> <td style="text-align:right;"><u>4,055,587</u></td> <td style="text-align:right;">635,588</td> </tr> </table>	Pension expense	(3,419,999)		Contributions subsequent to the measurement date	<u>4,055,587</u>	635,588					
Pension expense	(3,419,999)										
Contributions subsequent to the measurement date	<u>4,055,587</u>	635,588									
<p>5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:</p> <table border="0" style="width:100%; margin-left:20px;"> <tr> <td style="width:50%;">OPEB expense</td> <td style="width:10%; text-align:right;">139,967</td> <td style="width:40%;"></td> </tr> <tr> <td>Contributions subsequent to the measurement date</td> <td style="text-align:right;"><u>89,856</u></td> <td style="text-align:right;">229,823</td> </tr> </table>	OPEB expense	139,967		Contributions subsequent to the measurement date	<u>89,856</u>	229,823					
OPEB expense	139,967										
Contributions subsequent to the measurement date	<u>89,856</u>	229,823									
<p>6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:</p> <table border="0" style="width:100%; margin-left:20px;"> <tr> <td style="width:50%;">Change in compensated absences</td> <td style="width:10%; text-align:right;">(68,151)</td> <td style="width:40%;"></td> </tr> <tr> <td>Change in inventory reserve</td> <td style="text-align:right;">15,781</td> <td></td> </tr> <tr> <td>Amortization of premiums and discounts on debt</td> <td style="text-align:right;"><u>33,151</u></td> <td style="text-align:right;">(19,219)</td> </tr> </table>	Change in compensated absences	(68,151)		Change in inventory reserve	15,781		Amortization of premiums and discounts on debt	<u>33,151</u>	(19,219)		
Change in compensated absences	(68,151)										
Change in inventory reserve	15,781										
Amortization of premiums and discounts on debt	<u>33,151</u>	(19,219)									
<b>Change in Net Position of governmental activities</b>		<b>\$ 3,706,082</b>									

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, 2022

**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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

ESSER II Fund – This is a special revenue fund used to account for the federal Elementary and Secondary School Emergency Relief Fund grant funded through the Emergency Exchange Fund.

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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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

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

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

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

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

#### Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 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



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

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

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

The following schedule details the capitalization thresholds:

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

(\*\*) The estimated useful life for each right to use asset (intangible asset) is the number of years of the lease which is represented by each right to use asset.

*The term 'depreciation' includes the amortization of intangible assets.*

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 OPEB and pensions.

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.

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The district has incurred deferred inflows related to OPEB, pensions, and leases.

See Notes 9, 10, and 14 for further details.

8. Compensated Absences

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

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

9. 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 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. 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.

11. 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. See Note 9 for details.

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12. 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. See Note 10 for details.

13. 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 official action taken by the school board documented in its official minutes. The action for fund balance commitment must occur on or prior to balance sheet date. The district has committed \$7,246,659 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

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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 7.50 percent of general fund revenues for the year. If the unassigned fund balance at fiscal year-end falls below the goal, the District must develop a restoration plan to achieve and maintain the minimum fund balance.

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

**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 \$22,722,207.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure

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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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$152,426.

Investments

As of June 30, 2022, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Asset Backed Securities	AA+	Less than 5 years	\$ 220,545
	AA+	Less than 10 years	273,741
Municipal Bonds	AA	Less than 10 years	41,546
U. S. Agency Securities	AA+	Less than 5 years	152,028
	AA+	Less than 10 years	250,196
Total			<u>\$ 938,056</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, 2022:

- Asset Backed Securities of \$494,286, Municipal Bonds of \$41,546, and U. S. Agency Securities of \$402,224 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. As of June 30, 2022, the district did not have any investments to which this would apply.

*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.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	ESSER II Fund	\$ 67,904
	Other governmental funds	995,094
Other governmental funds	General Fund	<u>2,020</u>
Total		<u>\$ 1,065,018</u>

Inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank 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	Other governmental funds	\$ 724,105
ESSER II Fund	General Fund	67,904
Other governmental funds	General Fund	<u>503,612</u>
Total		<u>\$ 1,295,621</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds. Also included are transfers of indirect costs from special revenue funds to the General Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$530,195, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

*The term depreciation includes amortization of intangible assets.*

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	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 134,110				134,110
Construction-in-progress	51,500	722,894	37,305	(51,500)	685,589
Total non-depreciable capital assets	185,610	722,894	37,305	(51,500)	819,699
<u>Depreciable capital assets:</u>					
Buildings	66,898,291				66,898,291
Building improvements	1,626,520	82,875			1,709,395
Improvements other than buildings	2,343,422	44,501			2,387,923
Mobile equipment	4,095,231	100,032	71,706		4,123,557
Furniture and equipment	3,421,294	272,604	137,355		3,556,543
Intangible right to use equipment	-	10,781	1,087	1,087	10,781
Total depreciable capital assets	78,384,758	510,793	210,148	1,087	78,686,490
<u>Less accumulated depreciation for:</u>					
Buildings	21,411,247	1,326,589			22,737,836
Building improvements	380,925	69,946			450,871
Improvements other than buildings	1,199,735	62,375			1,262,110
Mobile equipment	2,354,558	228,652	64,535		2,518,675
Furniture and equipment	2,593,436	275,189	135,185		2,733,440
Intangible right to use equipment	-	1,087	1,087		-
Total accumulated depreciation	27,939,901	1,963,838	200,807	-	29,702,932
Total depreciable capital assets, net	50,444,857	(1,453,045)	9,341	1,087	48,983,558
Governmental activities capital assets, net	\$ 50,630,467	(730,151)	46,646	(50,413)	49,803,257

Total capital assets, net excluding intangible right to use assets	49,792,476
Intangible right to use assets, net	10,781
Total capital assets, net as reported in the statement of net position	<u>\$ 49,803,257</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 81,926
Support services	1,796,736
Non-instructional	85,176
Total depreciation expense - Governmental activities	<u>\$ 1,963,838</u>

Adjustments to construction-in-progress assets were made to remove prior year construction expenditures for design services from construction-in-progress after the decision was made not to continue the project because of projected costs.

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

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	Spent to June 30, 2022	Remaining Commitment
<b>Governmental Activities:</b>		
Video Board Project	\$ 33,562	\$ 707,598
HVAC Upgrades	652,027	208,375
Total governmental activities	\$ 685,589	\$ 915,973

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 – Leases**

**As Lessee:**

The school district is a lessee for various non-cancellable 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, less 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 depreciation 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 the Federal Prime Borrowing Rate at lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable 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.

The school district, acting as lessee, has entered into three (3) leases for equipment. Details of the lease obligations can be found in Note 7.

**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 is received for all uses of the trust lands, except for uses by the public schools.



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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 lease 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 leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed. The 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 net present value of future lease payments of \$3,655,589 as a lease receivable and \$3,752,619 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 fiscal year is \$193,225.

The following are the future Principal and Interest Payments to be received on the leases:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 144,032	146,224	290,256
2024	149,793	140,462	290,255
2025	155,785	134,471	290,256
2026	162,016	128,239	290,255
2027	168,497	121,759	290,256
2028-2032	676,272	519,509	1,195,781
2033-2037	747,331	381,544	1,128,875
2038-2042	833,410	224,065	1,057,475
2043-2047	244,136	90,559	334,695
2048-2052	73,268	69,232	142,500
2053-2057	89,142	53,358	142,500
2058-2062	108,455	34,045	142,500
Thereafter	103,452	10,547	113,999
Total	<u>\$ 3,655,589</u>	<u>2,054,014</u>	<u>5,709,603</u>

**Note 7 – Long-term Liabilities**

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

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	Balance 7/1/2021	Additions	Reductions	Adjustments	Balance 6/30/2022	Amounts due within one year
A. General obligation bonds payable	\$ 21,950,000		895,000		21,055,000	930,000
B. Limited tax promissory notes payable	1,000,000		100,000		900,000	104,000
C. Lease obligations		10,781	1,087	1,087	10,781	1,593
D. Compensated absences payable	346,091	68,151			414,242	
Subtotals	\$ 23,296,091	78,932	996,087	1,087	22,380,023	1,035,593
Bond premium	820,412		45,578	-	774,834	
Bond discount	(223,688)		(12,427)		(211,261)	
Totals	\$ 23,892,815	78,932	1,029,238	1,087	22,943,596	

**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 - 4.00%	21-Apr-16	1-Apr-39	\$ 23,860,000	\$ 21,055,000
Total				<u>\$ 23,860,000</u>	<u>\$ 21,055,000</u>

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 930,000	744,387	1,674,387
2024	960,000	716,487	1,676,487
2025	990,000	687,687	1,677,687
2026	1,020,000	657,988	1,677,988
2027	1,060,000	617,188	1,677,188
2028-2032	5,870,000	2,509,088	8,379,088
2033-2037	7,040,000	1,341,675	8,381,675
2038-2039	3,185,000	168,175	3,353,175
Total	<u>\$ 21,055,000</u>	<u>7,442,675</u>	<u>28,497,675</u>

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, 2022, the amount of outstanding bonded indebtedness was equal to 8.80% of property assessments as of October 1, 2021.

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**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	\$ 900,000
Total				<u>\$ 1,100,000</u>	<u>\$ 900,000</u>

The amount outstanding is included in due from other governments 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
2023	\$ 104,000	19,800	123,800
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
2028-2030	358,000	15,862	373,862
Total	<u>\$ 900,000</u>	<u>91,564</u>	<u>991,564</u>

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

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 amount of revenues received pursuant to the Mississippi Accountability and Adequate Education Program Act were \$122,000 and \$130,233, respectively, for the year ended June 30, 2022.

**C. Lease obligations**

The school district has entered into three equipment leases as lessee.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Postage Machine - PHS	4.75%	28-Jun-22	28-Jun-28	\$ 5,763	\$ 5,763
2. Postage Machine - CN	4.75%	28-Jun-22	28-Jun-28	5,018	5,018
Total				<u>\$ 10,781</u>	<u>\$ 10,781</u>

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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

1. Postage Machine at Pearl High School dated June 28, 2022.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 852	\$ 257	1,109
2024	891	218	1,109
2025	935	174	1,109
2026	980	129	1,109
2027	1,028	81	1,109
2028	1,077	32	1,109
<b>Total</b>	<b>\$ 5,763</b>	<b>\$ 891</b>	<b>6,654</b>

2. Postage Machine at Child Nutrition Administrative Offices dated June 28, 2022.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 741	\$ 225	966
2024	777	189	966
2025	814	152	966
2026	855	111	966
2027	894	72	966
2028	937	29	966
<b>Total</b>	<b>\$ 5,018</b>	<b>\$ 778</b>	<b>5,796</b>

Total payments due on all lease obligations.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 1,593	\$ 482	2,075
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
<b>Total</b>	<b>\$ 10,781</b>	<b>\$ 1,669</b>	<b>12,450</b>

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**D. Compensated absences payable**

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

**Note 8 – Other Commitments**

Commitments under re-roofing and renovation contracts, described in Note 5, amount to \$915,973.

**Note 9 – 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, 2022 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, 2022, 2021 and 2020 were \$4,055,587, \$3,819,536, and \$3,737,118, respectively, which equaled the required contributions for each year.

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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

At June 30, 2022, the school district reported a liability of \$48,797,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022 net pension liability was 0.330146 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.007598 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$3,419,999. At June 30, 2022, 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	\$ 772,533	\$
Net difference between projected and actual earnings on pension plan investments		14,770,564
Changes of assumptions	1,480,894	
Changes in proportion and differences between District contributions and proportionate share of contributions	4,141,791	55,764
District contributions subsequent to the measurement date	4,055,587	
Total	\$ 10,450,805	\$ 14,826,328

\$4,055,587 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, 2023. 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:	
2023	\$ (984,567)
2024	(1,074,559)
2025	(1,992,780)
2026	(4,379,204)

*Actuarial assumptions.* The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. 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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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 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	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	<u>100</u>	<u>%</u>		

*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	\$ 69,108,023	\$ 48,797,022	\$ 32,059,141

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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**Note 10 – 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 \$89,856 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$2,759,045 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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.



PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2021, the District's proportion was 0.42863482 percent. This was an increase of 0.01171458 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$139,967). At June 30, 2022, 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	\$ 3,000	\$ 862,718
Changes of assumptions	446,848	93,314
Net difference between projected and actual earnings on OPEB plan investments	129	
Changes in proportion and differences between District contributions and proportionate share of contributions	130,889	37,160
District contributions subsequent to the measurement date	89,856	
<b>Total</b>	<b>\$ <u>670,722</u></b>	<b>\$ <u>993,192</u></b>

\$89,856 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, 2023. 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:

2023	\$ (108,711)
2024	(95,871)
2025	(64,890)
2026	(91,299)
2027	(51,555)

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, 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	2.13%

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

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, 2021 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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. 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, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 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 (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 3,053,869	\$ 2,759,045	\$ 2,507,664

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

*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	\$ 2,555,589	\$ 2,759,045	\$ 2,989,291

*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 11 – 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 error in recording an asset or liability	\$ (3,551)
2. Restatement of prior period amounts of construction in progress	(51,500)
Total	\$ (55,051)

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 or liability	\$ (3,551)
Total		\$ (3,551)

**Note 12 – Contingencies**

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

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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**Note 13 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 52 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. 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 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 43 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 43 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 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$36,473,729) 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 \$4,055,587 resulting from the school district contribution subsequent to

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$6,395,218 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$36,473,729) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$14,826,328 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$36,473,729) 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 \$89,856 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$580,866 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$36,473,729) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$993,192 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$36,473,729) includes the effect of deferring recognition of revenue resulting from a deferred inflow from leases. The \$3,752,619 balance of deferred inflow of resources related to leases at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 43 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 January 6, 2023, and determined that no 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**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 13,200,092	14,059,994	14,060,096	859,902	102
State sources	21,619,719	21,791,161	21,791,161	171,442	0
Federal sources	14,000	25,523	25,523	11,523	0
Sixteenth section sources	278,263	320,373	223,343	42,110	(97,030)
<b>Total Revenues</b>	<b>35,112,074</b>	<b>36,197,051</b>	<b>36,100,123</b>	<b>1,084,977</b>	<b>(96,928)</b>
<b>Expenditures:</b>					
Instruction	21,890,737	21,168,416	21,168,416	722,321	0
Support services	12,625,240	12,700,437	12,716,358	(75,197)	(15,921)
Noninstructional services	392,670	247,304	247,304	145,366	0
Sixteenth section	48,350	36,051	36,051	12,299	0
Facilities acquisition and construction	0	96,105	33,562	(96,105)	62,543
Debt service:					
Principal	0	0	1,087	0	(1,087)
Interest	0	0	22	0	(22)
<b>Total Expenditures</b>	<b>34,956,997</b>	<b>34,248,313</b>	<b>34,202,800</b>	<b>708,684</b>	<b>45,513</b>
Excess (Deficiency) of Revenues over (under) Expenditures	155,077	1,948,738	1,897,323	1,793,661	(51,415)
<b>Other Financing Sources (Uses):</b>					
Leases issued	0	0	5,762	0	5,762
Refund of prior year expenditures	0	13,260	13,260	13,260	0
Sale of transportation equipment	0	1,984	1,984	1,984	0
Sale of other property	0	1,500	1,500	1,500	0
Operating transfers in	4,860,949	6,611,737	571,516	1,750,788	(6,040,221)
Operating transfers out	(10,184,492)	(6,764,327)	(724,105)	3,420,165	6,040,222
<b>Total Other Financing Sources (Uses)</b>	<b>(5,323,543)</b>	<b>(135,846)</b>	<b>(130,083)</b>	<b>5,187,697</b>	<b>5,763</b>
<b>Net Change in Fund Balances</b>	<b>(5,168,466)</b>	<b>1,812,892</b>	<b>1,767,240</b>	<b>6,981,358</b>	<b>(45,652)</b>
<b>Fund Balances:</b>					
July 1, 2021, as previously reported	14,605,618	14,699,868	18,285,713	94,250	3,585,845
Prior period adjustments	0	(4,720)	(3,551)	(4,720)	1,169
July 1, 2021, as restated	14,605,618	14,695,148	18,282,162	89,530	3,587,014
June 30, 2022	\$ 9,437,152	16,508,040	20,049,402	7,070,888	3,541,362

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

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**PEARL PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**

**ESSER II FUND**

**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 0	3,196,331	956,616	3,196,331	(2,239,715)
Total Revenues	0	3,196,331	956,616	3,196,331	(2,239,715)
<b>Expenditures:</b>					
Instruction	0	1,013,551	3,478	(1,013,551)	1,010,073
Support services	0	575,889	233,207	(575,889)	342,682
Facilities acquisition and construction	0	1,503,771	652,027	(1,503,771)	851,744
Total Expenditures	0	3,093,211	888,712	(3,093,211)	2,204,499
Excess (Deficiency) of Revenues over (under) Expenditures	0	103,120	67,904	103,120	(35,216)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	0	(103,120)	(67,904)	(103,120)	35,216
Total Other Financing Sources (Uses)	0	(103,120)	(67,904)	(103,120)	35,216
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2021	0	0	0	0	0
June 30, 2022	\$ 0	0	0	0	0

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

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**PEARL PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PERS**

**Last 10 Fiscal Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
District's proportion of the net pension liability	%	0.330146	0.322548	0.312083	0.313500	0.309100	0.311300	0.302100	0.290000
District's proportionate share of the net pension liability	\$	48,797,022	62,441,545	54,901,556	52,146,027	51,382,911	55,605,953	46,698,703	35,200,690
District's covered payroll	\$	21,951,356	21,477,690	20,325,162	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		222.30%	290.73%	270.12%	260.46%	259.13%	279.27%	247.42%	198.93%
Plan fiduciary net position as a percentage of the total pension liability		70.44%	58.97%	61.59%	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 Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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**PEARL PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years\***

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 4,055,587	3,819,536	3,737,118	3,201,213	3,153,251	3,123,097	3,136,067	2,972,737
Contributions in relation to the contractually required contribution	\$ 4,055,587	3,819,536	3,737,118	3,201,213	3,153,251	3,123,097	3,136,067	2,972,737
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
District's covered payroll	\$ 23,307,971	21,951,356	21,477,690	20,325,162	20,020,641	19,829,187	19,911,537	18,874,521
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	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 No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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**PEARL PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**OPEB**

**Last 10 Fiscal Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>
District's proportion of the net OPEB liability	% 0.42863482	0.41692024	0.41967819	0.41614222	0.40478408
District's proportionate share of the net OPEB liability	\$ 2,759,045	3,244,507	3,561,142	3,219,068	3,175,972
District's covered-employee payroll	\$ 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	12.57%	15.11%	17.52%	16.08%	16.02%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

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**PEARL PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 89,856	110,861	129,390	142,742	135,396
Contributions in relation to the actuarially determined contribution	\$ 89,856	110,861	129,390	142,742	135,396
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered-employee payroll	\$ 23,307,971	21,951,356	21,477,690	20,325,162	20,020,641
Contributions as a percentage of covered-employee payroll	0.39%	0.51%	0.60%	0.70%	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 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. Prior year information is based on historical amounts reported in prior year audit report(s).

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PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

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.

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

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

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.

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%.

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

(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, 2019 valuation for the June 30, 2021 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	28.8 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.

(2) *Changes in benefit provisions*

2017: None

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.

PEARL PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

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.

- (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, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%



## SUPPLEMENTARY INFORMATION

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## PEARL PUBLIC SCHOOL DISTRICT

## Supplementary Information

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	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	225MS326N1099	\$ 582,129
National school lunch program	10.555	225MS326N1099	2,189,915
National school lunch program - commodities	10.555	225MS326N1099	232,298
COVID-19 Emergency operations cost	10.555	225MS326N1099	99,973
Total child nutrition cluster			<u>3,104,315</u>
Administrative expense reimbursement	10.560	225MS907N2533	9,170
Total passed-through Mississippi Department of Education			<u>3,113,485</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,113,485</u>
<b><u>U. S. Department of Defense:</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.XXX	N/A	75,742
<b>Total U.S. Department of Defense</b>			<u>75,742</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A180024 S010A190024 S010A200024 S010A210024	988,113
Career and technical education - basic grants to states	84.048	V048A210024	51,709
English language acquisition grants	84.365	S365A200024 S365A210024	19,830
Supporting Effective Instruction State Grants	84.367	S367A190023 S367A200023 S367A210023	275,829
Student support and enrichment program	84.424	S424A190025 S424A200025 S424A210025	63,545
Subtotal			<u>1,399,026</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108 H027A200108 H027A210108	1,063,072
COVID-19 - Special education - grants to states ARP	84.027X	H027X210108	9,133
Special education - preschool grants	84.173	H173A180113 H173A190113 H173A200113 H173A210113	36,421
Total special education cluster			<u>1,108,626</u>

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COVID-19 - Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	128,490
COVID- 19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	956,616
COVID- 19 - Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	1,265,503
COVID- 19 - Pre-K ESSER Grant	84.425D	S425D200031	20,204
COVID- 19 - School Nurse ESSER Grant	84.425D	S425D200031	64,000
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			<u>2,434,813</u>
Total passed-through Mississippi Department of Education			<u>4,942,465</u>
<b>Total U.S. Department of Education</b>			<u><u>4,942,465</u></u>
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed through the Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2205MS5ADM	16,964
Total Medicaid cluster			<u>16,964</u>
Total passed-through Mississippi Department of Education			<u>16,964</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>16,964</u></u>
<b><u>Social Security Administration</u></b>			
Disability insurance/SSI Cluster:			
Passed through the Mississippi Department of Rehabilitation Services			
Social security disability insurance	96.001	2022-A1 2022-A2	672
Total Disability insurance/SSI cluster			<u>672</u>
Total passed-through Mississippi Department of Rehabilitation Services			<u>672</u>
<b>Total Social Security Administration</b>			<u><u>672</u></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	10,602
Total passed-through Mississippi Department of Public Safety			<u>10,602</u>
<b>Total U. S. Department of Homeland Security</b>			<u><u>10,602</u></u>
<b>Total for All Federal Awards</b>			<u><u>\$ 8,159,930</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 Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Pearl Public School District under programs of the federal government for the year ended June 30, 2022. 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 Pearl Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Pearl Public 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 Pearl Public School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

- (4) As allowed by federal regulations, the Pearl Public School District elected to transfer program funds. The district expended \$100,000 from its Supporting effective instruction state grants (84.367) on allowable activities of the Title I grants to local educational agencies (84.010). This amount is reflected in the expenditures of the Title I grants to local educational agencies (84.010).

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**PEARL PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2022**

<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	\$ 31,911,312	24,098,311	1,708,749	2,428,614	3,675,638
Other	12,611,329	2,528,280	752,880	31,643	9,298,526
 Total	 \$ 44,522,641	 26,626,591	 2,461,629	 2,460,257	 12,974,164
 Total number of students *	 4,087				
 Cost per student	 \$ 10,894	 6,515	 602	 602	 3,175

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

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

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

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

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

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

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## OTHER INFORMATION

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**PEARL PUBLIC SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2022	2021*	2020*	2019*
<b>Revenues:</b>				
Local sources	\$ 14,060,096	14,464,014	13,359,219	13,495,456
State sources	21,791,161	20,863,912	20,451,304	18,970,595
Federal sources	25,523	78,385	20,018	31,907
Sixteenth section sources	223,343	335,571	340,184	298,524
<b>Total Revenues</b>	<b>36,100,123</b>	<b>35,741,882</b>	<b>34,170,725</b>	<b>32,796,482</b>
<b>Expenditures:</b>				
Instruction	21,168,416	19,936,219	20,207,092	19,273,791
Support services	12,716,358	11,320,100	11,183,197	12,012,029
Noninstructional services	247,304	251,555	287,296	291,607
Sixteenth section	36,051	24,993	29,698	24,425
Facilities acquisition and construction	33,562		112,140	
Debt service:				
Principal	1,087			
Interest	22			
<b>Total Expenditures</b>	<b>34,202,800</b>	<b>31,532,867</b>	<b>31,819,423</b>	<b>31,601,852</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>1,897,323</b>	<b>4,209,015</b>	<b>2,351,302</b>	<b>1,194,630</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans			1,100,000	
Leases issued	5,762			
Insurance recovery			8,615	
Refund of prior year expenditures	13,260	6,478		15,188
Sale of transportation equipment	1,984	42	12,882	1,887
Sale of other property	1,500	4,218	350	
Operating transfers in	571,516	76,957	87,317	168,903
Operating transfers out	(724,105)	(3,092,591)	(4,366,084)	(1,109,001)
<b>Total Other Financing Sources (Uses)</b>	<b>(130,083)</b>	<b>(3,004,896)</b>	<b>(3,156,920)</b>	<b>(923,023)</b>
<b>Net Change in Fund Balances</b>	<b>1,767,240</b>	<b>1,204,119</b>	<b>(805,618)</b>	<b>271,607</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	18,285,713	17,067,177	17,815,435	17,543,828
Prior period adjustments	(3,551)	14,417	57,360	
Beginning of period, as restated	18,282,162	17,081,594	17,872,795	17,543,828
<b>End of Period</b>	<b>\$ 20,049,402</b>	<b>18,285,713</b>	<b>17,067,177</b>	<b>17,815,435</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**PEARL PUBLIC SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2022	2021*	2020*	2019*
<b>Revenues:</b>				
Local sources	\$ 15,918,153	16,415,362	15,566,458	15,822,222
State sources	22,363,019	21,886,651	21,413,656	19,944,833
Federal sources	8,629,518	7,395,169	4,401,481	4,155,234
Sixteenth section sources	224,806	349,805	354,130	300,686
<b>Total Revenues</b>	<b>47,135,496</b>	<b>46,046,987</b>	<b>41,735,725</b>	<b>40,222,975</b>
<b>Expenditures:</b>				
Instruction	24,562,416	24,927,846	22,859,548	21,631,585
Support services	14,648,016	12,725,310	13,648,230	13,345,678
Noninstructional services	2,752,473	2,151,774	2,120,750	2,536,895
Sixteenth section	36,051	24,993	29,698	24,425
Facilities acquisition and construction	722,894	2,724,757	2,893,526	741,910
Debt service:				
Principal	996,087	960,000	830,000	1,220,000
Interest	802,204	838,788	847,788	886,588
Other	2,500	2,500	2,500	6,750
<b>Total Expenditures</b>	<b>44,522,641</b>	<b>44,355,968</b>	<b>43,232,040</b>	<b>40,393,831</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,612,855	1,691,019	(1,496,315)	(170,856)
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans			1,100,000	
Leases issued	10,781			
Insurance recovery			8,615	
Refund of prior year expenditures	13,260	6,478		15,188
Sale of transportation equipment	1,984	42	12,882	1,887
Sale of other property	1,669	4,218	350	
Operating transfers in	1,295,621	3,169,548	4,704,933	1,277,904
Operating transfers out	(1,295,621)	(3,169,548)	(4,704,933)	(1,277,904)
<b>Total Other Financing Sources (Uses)</b>	<b>27,694</b>	<b>10,738</b>	<b>1,121,847</b>	<b>17,075</b>
<b>Net Change in Fund Balances</b>	<b>2,640,549</b>	<b>1,701,757</b>	<b>(374,468)</b>	<b>(153,781)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	20,826,656	19,140,108	19,416,772	19,559,986
Prior period adjustments	(3,551)	14,418	57,360	
Beginning of period, as restated	20,823,105	19,154,526	19,474,132	19,559,986
Increase (Decrease) in reserve for inventory	15,781	(29,627)	40,444	10,567
<b>End of Period</b>	<b>\$ 23,479,435</b>	<b>20,826,656</b>	<b>19,140,108</b>	<b>19,416,772</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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# SUZANNE E. SMITH, CPA, PLLC

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## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board  
Pearl Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl Public School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pearl Public School District's basic financial statements and have issued our report thereon dated January 6, 2023.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our 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, we 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

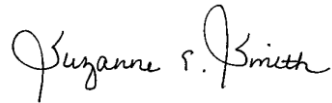
#### **Report on Compliance and Other Matters**

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

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PHONE: 601-938-5717

**Purpose of this Report**

The purpose of this report is solely to described 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.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large initial 'S'.

Suzanne E. Smith, CPA, PLLC  
Starkville, MS 39760

January 6, 2023

# SUZANNE E. SMITH, CPA, PLLC

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## AUDITING AND ACCOUNTING SERVICES

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

Superintendent and the School Board  
Pearl Public School District

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

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

We have audited Pearl Public School District's compliance with the type 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, 2022. Pearl Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pearl Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Our 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.

We are required to be independent of Pearl Public School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our 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 Audit of Compliance**

Our 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 to 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 generally accepted auditing standards, *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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- 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.

We are 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 we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding 2022-001**. Our opinion on each major federal award program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Pearl Public School District's response to the noncompliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to

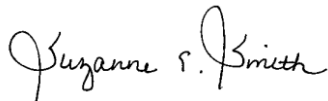
be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2022-001** to be a significant deficiency.

Our 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.

**Government Auditing Standards** requires the auditor to perform limited procedures on Pearl Public School District's response to the internal control over compliance finding identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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



Suzanne E. Smith, CPA, PLLC  
Starkville, MS 39760

January 6, 2023

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

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# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board  
Pearl Public School District

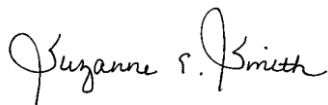
We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pearl Public School District as of and for the year ended June 30, 2022, which collectively comprise Pearl Public School District's basic financial statements and have issued our report thereon dated January 6, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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



Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi

January 6, 2023

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## 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, 2022

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |   |            |
|----|---|------------|
| 4. | Internal control over major programs:   |            |
|    | a. Material weakness(es) identified? (Yes/No)   | No         |
|    | b. Significant deficiency(ies) identified? (Yes/None reported)  | Yes        |
| 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)? (Yes/No) | Yes        |

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster: Special Education - Grants to States COVID 19 – Special Education – Grants to States ARP Special Education – Preschool Grants
84.027X	
84.173	
84.425D	
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund I
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund II
84.425U	COVID 19 – Elementary & Secondary School Emergency Relief Fund ARP III
84.425D	COVID 19 - Pre-K ESSER Grant
84.425D	COVID 19 – School Nurse ESSER Grant

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

PEARL PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

*Finding considered a Significant Deficiency in Internal Control over Compliance and Noncompliance that is not considered Material –*

**Finding 2022-001. Covid-19 – Elementary & Secondary School Emergency Relief Fund II – Special Tests and Provisions – Wage Rate Requirements.**

Criteria: All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141-3144, 3146, and 3147). Nonfederal entities must include in their construction contracts subject to the Wage Rate Requirements (the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes the requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

Condition: A contract for the purchase of ion generators and roof-top air conditioning units was awarded on November 8, 2021. The project was bid, with the bid opening held on October 21, 2021. The contract outlined construction labor for the installation of roof-top units (RTUs) at a cost of \$113,900 and total labor costs at \$156,100. There was no language included in the advertisement for bids, construction documents, and project manual documents that contained the wage determination and Davis-Bacon labor standards clauses.

After the bid opening, the district realized that the project was subject to Davis-Bacon labor standards and notified the architect that the contractor must pay wages not less than prevailing wage rates established by the Department of Labor. The architect contacted the contractor, who added an addendum to the contract recognizing the requirements of the Davis-Bacon act.

The contractor provided weekly time reports on Department of Labor forms. The district failed to monitor the wage determination rates and weekly time reports throughout the contract period. The district also failed to ensure that the Davis-Bacon poster and wage determination rates were posted at work sites and failed to ensure that onsite interviews were conducted.

Cause: The district did not fully understand that the project was subject to Davis-Bacon labor requirements at the beginning of the bid process and was not aware of these requirements until the bids were officially opened. The district did not fully understand all of its responsibilities outlined in the Davis-Bacon labor requirements.

Effect: The effect is that certain provisions of the Davis-Bacon labor requirements were not met.

Questioned Costs: Costs are not being questioned since the contractor ultimately followed the wage determination rates for labor paid on the project.

Perspective: The contract awarded on November 8, 2021, was awarded in the total amount of \$1,343,371. The contract costs were heavily weighted on equipment costs, with labor being \$156,100 of the total contract award. For the 2021-2022 year, \$760,886.45 was paid on the contract with \$59,800 of the amount paid representing total labor costs.

Recommendation: The district should familiarize itself with the requirements of the Davis-Bacon Labor Act and make sure that all requirements are understood, make sure that an action plan is developed to ensure

PEARL PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

compliance with the requirements, and monitor compliance throughout the life of any contract subject to the Act. Any questions or assistance with wage determination rates or the applicability of the Davis-Bacon Labor Act to particular projects may be directed to the United States Department of Labor.

Views of Responsible Officials: The views of district administration are outlined in the Auditee's Correction Plan.

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AUDITEE'S CORRECTIVE PLAN

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## PEARL PUBLIC SCHOOL DISTRICT

3375 HIGHWAY 80 EAST  
P.O. BOX 5750  
PEARL, MISSISSIPPI 39288-5750

### Auditee's Corrective Action Plan For the Year Ended June 30, 2022

Finding 2022-001: Covid 19 – Elementary & Secondary School Emergency Relief Find II –  
Special Tests and Provisions – Wage Rate Requirements

#### District Response:

- A. The District understands the requirements outlined in the Davis-Bacon Act at this time. Any future projects will be bid with Davis-Bacon requirements in the bid documentation.
- B. Paige Broman, Chief Financial Officer, will review weekly wage certification sheets and compare them to applicable wage rate determinations for future projects. Additionally, Paige Broman, Chief Financial Officer, will be responsible for assigning and documenting interviews of contractor employees and for verifying required labor postings.
- C. The corrective action plan will be implemented immediately January 6, 2023.

Sincerely,

Paige Broman  
Chief Financial Officer

cc: Chris Chism, Superintendent

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