

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Financial Statements and Special Reports**  
**For the Year Ended September 30, 2017**

# PEARL RIVER COUNTY, MISSISSIPPI

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### INDEPENDENT AUDITORS' REPORT

September 28, 2020

Members of the Board of Supervisors  
Pearl River County, Mississippi

#### Report on the Financial Statements

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

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

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

#### Auditors' Responsibility

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

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

### Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

### Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Pearl River County, Mississippi, as of September 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, except for the effects of the matter discussed in the preceding sections, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl River County, Mississippi, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of the County's Contributions, and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We 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.

### Omission of Required Supplementary Information

Pearl River County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pearl River County's basic financial statements. The 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of Pearl River County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pearl River County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearl River County, Mississippi's internal control over financial reporting and compliance.

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**  
Hattiesburg, Mississippi

**PEARL RIVER COUNTY, MISSISSIPPI  
FINANCIAL STATEMENTS**

**PEARL RIVER COUNTY, MISSISSIPPI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

**Exhibit 1**

		Primary Government
		Governmental Activities
<b>ASSETS</b>		
Cash	\$	14,234,836
Cash with fiscal agents		225,775
Property tax receivable		16,748,000
Fines receivable (net of allowance for uncollectibles of \$3,620,310)		599,836
Intergovernmental receivables		808,854
Other receivables		346,630
Capital assets:		
Land		1,707,511
Other capital assets, net		82,664,874
Total Assets		117,336,316
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions		1,675,798
Total Deferred Outflows of Resources		1,675,798
Total Assets and Deferred Outflows of Resources	\$	119,012,114
<b>LIABILITIES</b>		
Claims payable	\$	1,092,078
Intergovernmental payables		901,694
Accrued interest payable		30,451
Other payables		203,304
Long-term liabilities:		
Net pension liabilities		22,426,621
Due within one year:		
Capital debt		1,561,221
Due in more than one year:		
Capital debt		7,754,334
Non-capital debt		958,013
Total Liabilities		34,927,716
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions		367,001
Unavailable revenue-property taxes		16,748,000
Total Deferred Inflows of Resources		17,115,001
Total Liabilities and Deferred Inflows of Resources		52,042,717
<b>NET POSITION</b>		
Net investment in capital assets		75,056,830
Restricted:		
Expendable:		
Debt Service		478,053
Public Safety		876,533
Public Works		3,466,451
Health and Welfare		498,663
Economic Development		69,114
Unrestricted		(13,476,247)
Total Net Position		66,969,397
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	119,012,114

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

**PEARL RIVER COUNTY, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government  Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ (8,506,247)	\$ 1,723,141	\$ 1,800	\$ 577,000	\$ (6,204,306)
Public safety	(8,722,914)	1,453,163	578,071	408,328	(6,283,352)
Public works	(6,454,159)	424,968	1,356,356	613,485	(4,059,350)
Health and welfare	(440,474)	-	170,164	-	(270,310)
Culture and recreation	(442,175)	-	-	-	(442,175)
Education	(178,885)	-	-	-	(178,885)
Conservation of natural resources	(237,585)	-	-	-	(237,585)
Economic development and assistance	(160,570)	-	-	-	(160,570)
Interest on long-term debt	(252,758)	-	-	-	(252,758)
Pension expense	(3,217,726)	-	-	-	(3,217,726)
Total Governmental Activities	(28,613,493)	3,601,272	2,106,391	1,598,813	(21,307,017)
General revenues:					
Property taxes					\$ 17,565,951
Road & bridge privilege taxes					889,037
Grants and contributions not restricted to specific programs					894,780
Unrestricted investment income					66,999
Miscellaneous					1,851,968
Total General Revenues					21,268,735
Change in Net Position					(38,282)
Net Position - Beginning , as previously reported					65,922,936
Prior Period Adjustment					1,084,743
Net Position - Beginning, as restated					67,007,679
Net Position - Ending					\$ 66,969,397

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

**PEARL RIVER COUNTY, MISSISSIPPI  
BALANCE SHEET- GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

**Exhibit 3**

	Major Funds			Total Governmental Funds
	General	Countywide	Other	
	Fund	Road Fund	Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 8,270,701	\$ 2,956,544	\$ 3,007,591	\$ 14,234,836
Cash with fiscal agents	-	-	225,775	225,775
Property tax receivable	12,771,000	1,565,000	2,412,000	16,748,000
Fines receivable, (net of allowance for uncollectibles of \$3,620,310)	599,836	-	-	599,836
Intergovernmental receivables	345,838	-	463,016	808,854
Due from other funds	-	95,320	53,455	148,775
Advances to other funds	-	97,330	-	97,330
Other receivables	346,630	-	-	346,630
Total Assets	<u>\$ 22,334,005</u>	<u>\$ 4,714,194</u>	<u>\$ 6,161,837</u>	<u>\$ 33,210,036</u>
<b>LIABILITIES</b>				
Claims payable	\$ 678,354	\$ 160,125	\$ 253,599	\$ 1,092,078
Intergovernmental payables	901,694	-	-	901,694
Due to other funds	148,775	-	-	148,775
Advances from other funds	97,330	-	-	97,330
Other payables	203,304	-	-	203,304
Total Liabilities	<u>2,029,457</u>	<u>160,125</u>	<u>253,599</u>	<u>2,443,181</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	12,771,000	1,565,000	2,412,000	16,748,000
Unavailable revenue-fines	599,836	-	-	599,836
Unavailable revenue-intergovernmental receivable	-	-	419,295	419,295
Total Deferred Inflows of Resources	<u>13,370,836</u>	<u>1,565,000</u>	<u>2,831,295</u>	<u>17,767,131</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Advances	-	97,330	-	97,330
Restricted for:				
Debt service	-	-	508,504	508,504
Assigned to:				
General Government	-	-	1,054,022	1,054,022
Public Safety	-	-	469,258	469,258
Public Works	-	2,891,739	477,382	3,369,121
Health and Welfare	-	-	498,663	498,663
Economic Development	-	-	69,114	69,114
Unassigned	6,933,712	-	-	6,933,712
Total Fund Balances	<u>6,933,712</u>	<u>2,989,069</u>	<u>3,076,943</u>	<u>12,999,724</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 22,334,005</u>	<u>\$ 4,714,194</u>	<u>\$ 6,161,837</u>	<u>\$ 33,210,036</u>

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

**PEARL RIVER COUNTY, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

**Exhibit 3-1**

	Amount
Total Fund Balance - Governmental Funds	\$ 12,999,724
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$102,908,649.	84,372,385
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	599,836
Intergovernmental receivable	419,295
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(10,273,568)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(22,426,621)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(30,451)
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	1,675,798
Deferred inflows of resources related to pensions	(367,001)
Total Net Position - Governmental Activities	\$ 66,969,397

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit 4**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Fund		
<b>REVENUES</b>				
Property taxes	\$ 13,398,548	\$ 1,622,659	\$ 2,544,744	\$ 17,565,951
Road and bridge privilege taxes	-	889,037	-	889,037
Licenses, commissions and other revenue	1,000,894	-	189,393	1,190,287
Fines and forfeitures	854,654	-	16,743	871,397
Intergovernmental revenues	1,764,980	1,308,665	1,118,986	4,192,631
Charges for services	818,172	76,421	729,228	1,623,821
Interest income	52,676	6,317	8,006	66,999
Miscellaneous revenues	1,074,015	350,086	106,684	1,530,785
Total Revenues	<u>18,963,939</u>	<u>4,253,185</u>	<u>4,713,784</u>	<u>27,930,908</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,410,482	-	808,024	10,218,506
Public safety	7,157,056	-	1,816,529	8,973,585
Public works	470,925	4,352,453	2,191,910	7,015,288
Health and welfare	427,271	-	13,203	440,474
Culture and recreation	413,516	-	30,779	444,295
Education	178,885	-	-	178,885
Conservation of natural resources	196,008	-	39,634	235,642
Economic development and assistance	164,599	-	-	164,599
Debt service:				
Principal	175,876	30,692	1,480,177	1,686,745
Interest and other fiscal charges	12,736	5,789	250,452	268,977
Total Expenditures	<u>18,607,354</u>	<u>4,388,934</u>	<u>6,630,708</u>	<u>29,626,996</u>
Excess of Revenues over (under) Expenditures	<u>356,585</u>	<u>(135,749)</u>	<u>(1,916,924)</u>	<u>(1,696,088)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,822	118,062	1,456,450	1,583,334
Transfers out	(1,456,450)	-	(126,884)	(1,583,334)
Proceeds from issuance of debt	575,625	444,800	25,816	1,046,241
Proceeds from sale of capital asset	37,688	-	283,494	321,182
Total Other Financing Sources and Uses	<u>(834,315)</u>	<u>562,862</u>	<u>1,638,876</u>	<u>1,367,423</u>
Net Changes in Fund Balances	<u>(477,730)</u>	<u>427,113</u>	<u>(278,048)</u>	<u>(328,665)</u>
Fund Balances - Beginning	7,411,442	2,561,956	3,354,991	13,328,389
Fund Balances - Ending	<u>\$ 6,933,712</u>	<u>\$ 2,989,069</u>	<u>\$ 3,076,943</u>	<u>\$ 12,999,724</u>

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit 4-1**

Net Changes in Fund Balances - Total Governmental Funds	\$	(328,665)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount of depreciation expense of \$2,134,449 was exceeded by capital outlays of \$3,695,393 current period.</p>		1,560,944
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$54,890 and the proceeds from the sale of \$321,182 in the current period.</p>		(376,072)
<p>Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.</p>		(84,232)
<p>Other revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would be required on the Statement of Activities using the full-accrual basis of accounting.</p>		407,353
<p>Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the changes in fund balances by the amount that debt repayments of \$1,686,745 exceeded debt proceeds of \$1,046,241.</p>		640,504
<p>Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:</p>		
The amount of decrease in accrued interest payable		1,277
The amount of increase in compensated absences		(36,234)
The amortization of:		
Premiums on refunding bonds		18,953
Discount on refunding bonds		(4,011)
<p>Some items reported on the Statement of Activities relating to the implementation of GASB 68 are not reported in the government funds. These activities include:</p>		
Recording of pension expense for the current period		(3,217,726)
Recording of contributions made during the year		1,379,627
Change in Net Position of Governmental Activities	\$	(38,282)

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

**PEARL RIVER COUNTY, MISSISSIPPI  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
SEPTEMBER 30, 2017**

	<b>Exhibit 5</b>
	Agency Funds
<b>ASSETS</b>	
Cash	\$ 972,959
Total Assets	<u>\$ 972,959</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 972,959
Total Liabilities	<u>\$ 972,959</u>

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**I. Summary of Significant Accounting Policies.**

**A. Financial Reporting Entity.**

Pearl River County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Pearl River County to present these financial statements on the primary government and its component units, which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units, which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Pearl River County Hospital
- Carriere Fire District
- Crossroads Fire District
- Henleyfield Fire District
- McNeil Fire District
- Southeast Fire District
- Amackertown Fire District
- Northeast Fire District
- Pine Grove Fire District
- Nicholson Fire District
- Derby/Whitesand Fire District
- North Central Fire District
- Stepphollow Fire District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

**B. Individual Component Unit Disclosures.**

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government:

- Mississippi Corrections PRC, LLC

Mississippi Corrections PRC, LLC was formed for the purpose of the construction of a new jail facility.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

D. Measurement Focus and Basis of Accounting. (Continued)

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the County reports the following fund types:

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**FIDUCIARY FUND TYPES**

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

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

F. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit, and cash equivalents, which are short-term, highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds". Noncurrent portions of interfund receivables and payables are reported as "advances 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. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities' column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure costs, have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	n/a
Infrastructure	-	20-50 years
Buildings	50,000	40 years
Improvements other than building	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

J. Deferred Outflows/Inflows of Resources.

In additions 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 and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note XIII for additional details.

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 and so will not be recognized as an inflow of resources (revenue) until that time.

Unavailable revenue – property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but revenue is not available, the government should report a deferred inflow of resources until such time as the revenues becomes available.

Unavailable revenue – intergovernmental receivable – When an asset is recorded in the governmental fund financial statements but revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note XIII for additional details.

K. 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 of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefits payments (included refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

L. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

M. Equity Classifications. (Continued)

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of 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.

*Assigned fund balance* includes amounts that are constrained by the County'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 classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by the policy adopted by the County.

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

Fund Balance Flow Assumption:

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

N. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absences liability payable only if the payable has matured, for example an employee resigns or retires.

Q. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

**II. Prior Period Adjustments.**

A summary of the significant net position adjustment is as follows:

Exhibit 2 – Statement of Activities

Explanation	Amount
To adjust beginning balances of capital assets to record bridges not included in prior years	\$ 1,084,743
Total prior period adjustments	\$ 1,084,743

**III. Deposits and Cash with Fiscal Agents.**

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$15,207,795 and the bank balance was \$15,595,642. The collateral for public entities’ deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**III. Deposits and Cash with Fiscal Agent. (Continued)**

Cash with Fiscal Agents:

The carrying amount of the County's cash with fiscal agents held by financial institutions at September 30, 2017, was \$225,775.

**IV. Interfund Transactions and Balances.**

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

Receivable Fund:	Payable Fund	Amount
Countywide Road Fund	General Fund	\$ 95,320
Other Governmental Funds	General Fund	53,455
Total		\$ 148,775

The receivables represent the tax revenue collected but not settled until October 2017. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund:	Payable Fund	Amount
Countywide Road Fund	General Fund	\$ 97,330

The purpose of the advance was to reclassify road and bridge privilege tax that was improperly recorded in General Fund.

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 8,822
Countywide Road Fund	Other Governmental Funds	118,062
Other Governmental Funds	General Fund	1,456,450
Total		\$ 1,583,334

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**V. Intergovernmental Receivables.**

Intergovernmental receivables at September 30, 2017 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative Tax Credit	\$ 298,229
TRIAD Grant	1,600
Stop Violence Against Women Grant	20,085
DUI Officer Grant	7,011
Hazard Mitigation Grant	407,275
Victims of Crime Act Grant	27,045
CDBG Funds Grant	47,609
Total Governmental Activities	<u><u>\$ 808,854</u></u>

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**VI. Capital Assets.**

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental Activities:

	Balance Oct 1, 2016	Additions	Deletions	Adjustments*	Balance Sept 30, 2017
<b>Non-depreciable capital assets:</b>					
Land	\$ 1,677,921	\$ 34,590	\$ (5,000)	\$ -	\$ 1,707,511
Total non-depreciable capital assets	<u>1,677,921</u>	<u>34,590</u>	<u>(5,000)</u>	<u>-</u>	<u>1,707,511</u>
<b>Depreciable capital assets:</b>					
Infrastructure	141,578,421	961,728	-	1,106,884	143,647,033
Buildings	28,262,528	1,225,057	-	-	29,487,585
Improvements other than buildings	1,413,096	-	-	-	1,413,096
Mobile equipment	5,049,007	362,614	(495,409)	-	4,916,212
Furniture and equipment	3,662,466	65,163	(230,531)	-	3,497,098
Leased property under capital leases	1,992,699	1,046,241	(426,441)	-	2,612,499
Total depreciable capital assets	<u>181,958,217</u>	<u>3,660,803</u>	<u>(1,152,381)</u>	<u>1,106,884</u>	<u>185,573,523</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	88,252,023	850,539	-	22,141	89,124,703
Buildings	5,260,276	570,239	-	-	5,830,515
Improvements other than buildings	245,490	56,527	-	-	302,017
Mobile equipment	4,084,392	136,960	(441,054)	-	3,780,298
Furniture and equipment	3,139,818	77,454	(193,903)	-	3,023,369
Leased property under capital leases	551,369	442,730	(146,352)	-	847,747
Total accumulated depreciation	<u>101,533,368</u>	<u>2,134,449</u>	<u>(781,309)</u>	<u>22,141</u>	<u>102,908,649</u>
Total depreciable capital assets, net	<u>80,424,849</u>	<u>1,526,354</u>	<u>(371,072)</u>	<u>1,084,743</u>	<u>82,664,874</u>
Governmental activities capital assets, net	<u>\$ 82,102,770</u>	<u>\$ 1,560,944</u>	<u>\$ (376,072)</u>	<u>\$ 1,084,743</u>	<u>\$ 84,372,385</u>

\* The adjustments are to correct errors in capital asset records.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**VI. Capital Assets. (Continued)**

Depreciation expense was changed to the following functions:

	Amount
Governmental Activities:	
General government	\$ 407,687
Public safety	512,209
Public works	1,210,168
Culture and recreation	2,441
Conservation of natural resources	1,944
Total governmental activities depreciation expense	\$ 2,134,449

**VII. Claims and Judgments.**

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**VIII. Capital Leases.**

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

Classes of Property	Governmental Activities
Mobile equipment	\$ 2,160,767
Furniture and equipment	451,732
Total	2,612,499
Less: Accumulated depreciation	(847,747)
Leased Property under Capital Leases	\$ 1,764,752

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**VIII. Capital Leases. (Continued)**

The following is a schedule by years of the total payments due as of September 30, 2017:

Year Ending September 30:	Governmental Activities	
	Principal	Interest
2018	\$ 635,221	\$ 32,377
2019	422,238	22,173
2020	669,078	10,224
2021	214,637	2,277
2022	10,013	26
Total	\$ 1,951,187	\$ 67,077

**IX. Long-Term Debt.**

Debt outstanding as of September 30, 2017, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Katrina Loan Refunding Bonds, Series 2010	\$ 406,000	3.35%	03/2020
General Obligation Refunding Bonds, Series 2011	3,138,205	3.625 - 4.625%	04/2022
Total General Obligation Bonds	\$ 3,544,205		
B. Limited Obligation Bonds:			
Hospital Improvements, Series 2012	\$ 3,785,000	2.00-3.75%	07/2032
Total Limited Obligation Bonds	\$ 3,785,000		
C. Capital Leases			
Computer System	\$ 52,617	2.24%	04/2019
1 2016 Ford Explorer	16,899	1.99%	03/2021
5 2016 Ford F-150 Trucks	95,367	1.99%	03/2021
1 2016 Ford F-150 Truck	20,198	1.86%	07/2020
Avaya Phone System	240,501	2.02%	11/2021
5 2016 Ford Taurus Police Vehicles	110,076	2.09%	12/2020
1 2017 Dodge Caravan	19,389	2.37%	01/2021
3 Ford Enforcer Sedans	70,988	2.35%	03/2021
1 2017 Ford Transit Van	28,624	2.30%	03/2021
3 Caterpillar Backhoes	161,545	1.85%	01/2018
130 Motorola Radios	99,864	2.19%	04/2020
2 Kubota Tractors & 2 Diamond Mowers	43,303	1.89%	06/2018
Road Hog	55,974	2.09%	06/2020
1 2016 Ford F-150 Truck	19,073	1.99%	03/2021
1 2016 Dodge Durango	14,362	1.81%	05/2019
5 2017 Western Star Dump Trucks	463,509	2.02%	06/2021
4 John Deere Excavators	414,108	1.79%	01/2020
1 2017 Ford F-150 Truck	24,790	2.44%	06/2021
Total Capital Leases	\$ 1,951,187		

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**IX. Long-Term Debt. (Continued)**

<u>Governmental Activities</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Year Ending September 30</u>				
2018	\$ 731,000	\$ 96,907	\$ 195,000	\$ 117,272
2019	750,000	78,951	200,000	113,373
2020	770,000	58,970	200,000	109,372
2021	645,000	39,300	210,000	104,623
2022	648,205	19,950	215,000	99,373
2023-2027	-	-	1,160,000	399,650
2028-2032	-	-	1,605,000	194,565
Total	<u>\$ 3,544,205</u>	<u>\$ 294,078</u>	<u>\$ 3,785,000</u>	<u>\$ 1,138,228</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, which can be incurred by the County, is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever the County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was 2.02% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for year ended September 30, 2017:

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>Oct. 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2017</u>	<u>Within One</u>
					<u>Year</u>
Governmental Activities:					
Compensated absences	\$ 921,779	\$ 36,234	\$ -	\$ 958,013	\$ -
General Obligation bonds	4,260,205	-	(716,000)	3,544,205	731,000
Less:					
Discount	(8,143)	-	2,715	(5,428)	-
Discount	(4,022)	-	791	(3,231)	-
Add:					
Premium	37,444	-	(12,483)	24,961	-
Premium	32,938	-	(6,470)	26,468	-
Limited Obligation bonds	3,970,000	-	(185,000)	3,785,000	195,000
Less:					
Discount	(8,112)	-	505	(7,607)	-
Capital leases	1,690,691	1,046,241	(785,745)	1,951,187	635,221
Total	<u>\$ 10,892,780</u>	<u>\$ 1,082,475</u>	<u>\$ (1,701,687)</u>	<u>\$ 10,273,568</u>	<u>\$ 1,561,221</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund and Countywide Road Fund.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**X. Contingencies.**

Federal Grants – The County 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 grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance from a grantor agency may become a liability of the County. No provision for any liability that may result has been recognized in the County’s financial statements.

Litigation – The County 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 ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

**XI. Joint Ventures.**

The County participates in the following joint ventures:

Pearl River County is a participant with the Cities of Picayune and Poplarville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Pearl River County Library System. The library system was created to provide free library service to all the people in the County. The library system is governed by a board of trustees consisting of ten members. Pearl River County appoints five members, Picayune appoints four and Poplarville appoints one. The library system is funded by each governmental entity on a previously agreed to proportional basis. The County’s appropriation to the joint venture was \$252,000 in fiscal year 2017. Complete financial statements for the Pearl River County Library System can be obtained from the Margaret Reed Crosby Memorial Library located at 900 Goodyear Blvd., Picayune, MS 39466.

Pearl River County is a participant with the City of Poplarville in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Poplarville/Pearl River County Airport. The joint venture was created to provide airport service to the area. The airport is governed by a five-member board of commissioners appointed as follows: Pearl River County, two; Poplarville, two; and jointly, one. The County’s appropriation to the joint venture was \$10,629 in fiscal year 2017. Complete financial statements can be obtained from Highway 53 South, Poplarville, MS 39470.

**XII. Jointly Governed Organizations.**

The County participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the counties of Hancock, Harrison, Pearl River, and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The County appropriated \$98,000 for support of the agency in fiscal year 2017.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Pearl River County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants. The County appropriated \$40,667 for support of the agency in fiscal year 2017.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**XII. Jointly Governed Organizations. (Continued)**

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Pearl River County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$150,000 for support of the district in fiscal year 2017.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Pearl River County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County appropriated \$1,711,936 for maintenance and support of the college in fiscal year 2017.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Pearl River County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$48,500 for support of the district in fiscal year 2017.

**XIII. Defined Benefit Pension Plan.**

General Information about the Pension Plan

Plan Description. Pearl River County, Mississippi, 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 State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**XIII. Defined Benefit Pension Plan. (Continued)**

Contributions. PERS members are required to contribute 9 percent of their annual covered salary, the county is required to contribute at an actuarially determine rate. The employer’s rate as of September 30, 2017 was 15.75 percent of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County’s contributions to PERS for the fiscal years ending September 30, 2017, 2016, and 2015 were \$1,379,627, \$1,379,309, and \$1,355,373, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2017, Pearl River County reported a liability of \$22,426,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the County’s proportion was .13491 percent, which was an increase of .002751 percent from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$3,217,726. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 318,711	\$ -
Net difference between projected and actual earnings on pension plan investments	286,082	-
Changes in assumptions	506,020	37,436
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	189,876	329,565
County contributions subsequent to the measurement date	375,109	-
	\$ 1,675,798	\$ 367,001

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**XIII. Defined Benefit Pension Plan. (Continued)**

For the year ended September 30, 2017, \$375,109 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>		
2018	\$	920,687
2019		382,352
2020		63,848
2021		(433,199)
		(433,199)
	\$	933,688

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

Inflation	3.00%
Salary increases	3.25%-18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, set forward one year for males with adjustments.

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

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**XIII. Defined Benefit Pension Plan. (Continued)**

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be made at the current employer contribution rate (15.75 percent). 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 County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability has been calculated using a discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 29,414,010	\$ 22,426,621	\$ 16,625,569

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 RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**XIV. Effect of Deferred Amounts on Net Position.**

The governmental activities' unrestricted net position (deficit) amount of (\$13,476,247) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$375,109, resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$1,300,689 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$367,001 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 4 years.

**XV. Tax Abatements.**

The County approved an ad valorem tax abatement for an industrial corporation for the period from January 1, 2016 through December 31, 2017. The gross dollar amount of the taxes abated during the period was \$288,320. The industrial corporation committed to generate twenty-seven new jobs with an estimated payroll of one million two hundred thousand dollars. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs.

**XVI. 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 Pearl River County, Mississippi evaluated the activity of the County through September 28, 2020, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On April 2, 2018, the Board approved the lease purchase of one new 2018 310 backhoe loader in the amount of \$92,804.

On April 2, 2018, the Board approved the lease purchase of three new 2018 310L backhoe loaders in the amount of \$287,653.

On September 7, 2018, the Board approved the lease purchase of four new 2018 Dodge Rams in the amount of \$106,460.

On October 8, 2018, the Board approved the lease purchase one new excavator w/hydraulic thumb in the amount of \$ 169,900.

On February 20, 2019, the Board guaranteed a \$1,500,000 line of credit for the Pearl River County Hospital and Nursing Home and approved a \$300,000 temporary loan to the Pearl River County Hospital and Nursing Home.

On March 20, 2019, the Board approved issuance of \$2,000,000 Negotiable Note Series 2019 at 3.125%.

On April 1, 2019, the Board approved payment for the Courthouse Annex in the amount of \$495,376.

On May 6, 2019, the Board approved payment for the Courthouse Annex in the amount of \$532,411.

On May 6, 2019, the Board approved the lease purchase of one Kubota Trac Loader in the amount of \$83,047 at \$1,527.19 per month with an interest rate of 3.94%.

On May 22, 2019, the Board approved the lease purchase of Turnkey Election System in the amount of \$269,302 at \$4,952.19 per month for 60 months with an interest rate of 3.94%.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**XVI. Subsequent Events. (Continued)**

On June 3, 2019, the Board approved payment for the Courthouse Annex in the amount of \$698,048.

On June 7, 2019, the Board approved issuance of \$350,000 State General Obligation Bond for renovations to County Courthouse.

On August 5, 2019, the Board approved payment for the Courthouse Annex in the amount of \$514,274.

On September 18, 2019, the Board approved payment in the amount of \$244,783 for Project ERBR-STP/BR-0055.

On September 18, 2019, the Board approved payment for the Courthouse Annex in the amount of \$627,269.

On October 7, 2019, the Board approved payment for the Courthouse Annex in the amount of \$422,438.

On October 7, 2019, the Board approved the purchase of a 2019 Dodge Crew Cab in the amount of \$26,154.

On October 7, 2019, the Board approved the purchase of a 2019 Nissan Pathfinder in the amount of \$23,100.

On November 20, 2019, the Board guaranteed a \$155,000 loan for the Southeast Fire District and a \$111,000 loan for the Derby/Whitesand Fire District.

On December 26, 2019, the Board approved the lease purchase of four excavators in the amount of \$354,500 with an interest rate of 3.44%.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus began to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

On January 22, 2020, the Board approved lease of the Pearl River Hospital and Nursing Home to Forrest General Hospital. The Hospital and Clinic lease is \$41,667 and the Nursing Home lease is \$16,667 each month.

On February 19, 2020, the Board approved the purchase of two metal buildings in the amount of \$24,485.

On March 16, 2020, the Board declared a State of Emergency due to COVID 19.

On May 4, 2020, the Board approved the lease purchase of four Durango Pursuits in the amount of \$148,264 with an interest of 2.34% for 48 months.

On May 4, 2020, the Board approved the update of Time Clock in the amount of \$72,720.

On June 17, 2020, the Board approved the lease purchase of one Dodge Durango Pursuit in the amount of \$35,066 at 2.34% for 48 months.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)**  
**General Fund-UNAUDITED**  
**For the Year Ended September 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 12,421,000	\$ 13,320,012	\$ 13,320,012	\$ -
Licenses, commissions and other revenue	908,000	991,460	991,460	-
Fines and forfeitures	799,000	732,194	732,194	-
Special assessments	30,000	85,767	85,767	-
Intergovernmental revenues	1,849,000	1,776,135	1,776,135	-
Charges for services	960,000	818,172	818,172	-
Interest income	19,500	51,108	51,108	-
Miscellaneous revenues	1,120,000	1,132,844	1,132,844	-
Total Revenues	<u>18,106,500</u>	<u>18,907,692</u>	<u>18,907,692</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,637,000	9,081,827	9,081,827	-
Public safety	6,768,520	6,960,027	6,960,027	-
Public works	218,000	153,728	153,728	-
Health and welfare	409,600	426,015	426,015	-
Culture and recreation	402,000	461,765	461,765	-
Education	175,000	192,384	192,384	-
Conservation of natural resources	217,170	209,745	209,745	-
Economic development and assistance	276,000	162,308	162,308	-
Debt service:				
Principal	207,260	175,917	175,917	-
Interest	-	12,696	12,696	-
Total Expenditures	<u>17,310,550</u>	<u>17,836,412</u>	<u>17,836,412</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>795,950</u>	<u>1,071,280</u>	<u>1,071,280</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	700,000	516,274	516,274	-
Transfers out	(1,800,000)	(1,963,883)	(1,963,883)	-
Total Other Financing Sources and Uses	<u>(1,100,000)</u>	<u>(1,447,609)</u>	<u>(1,447,609)</u>	<u>-</u>
Net Change in Fund Balances	(304,050)	(376,329)	(376,329)	-
Fund Balances - Beginning	3,420,639	8,076,462	6,473,314	(1,603,148)
Fund Balances - Ending	<u>\$ 3,116,589</u>	<u>\$ 7,700,133</u>	<u>\$ 6,096,985</u>	<u>\$ (1,603,148)</u>

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)**  
**Countywide Road Fund-UNAUDITED**  
**For the Year Ended September 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,535,000	\$ 1,678,165	\$ 1,678,165	\$ -
Road and bridge privilege taxes	750,000	827,528	827,528	-
Intergovernmental revenues	835,000	695,179	695,179	-
Charges for services	75,000	76,421	76,421	-
Interest income	2,000	6,317	6,317	-
Miscellaneous revenues	20,000	1,842	1,842	-
Total Revenues	<u>3,217,000</u>	<u>3,285,452</u>	<u>3,285,452</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,605,700	2,884,472	2,884,472	-
Debt service:				
Principal	-	30,692	30,692	-
Interest	-	5,789	5,789	-
Total Expenditures	<u>3,605,700</u>	<u>2,920,953</u>	<u>2,920,953</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(388,700)</u>	<u>364,499</u>	<u>364,499</u>	<u>-</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Transfers in	-	118,063	118,063	-
Total Other Financing Sources and Uses	<u>-</u>	<u>118,063</u>	<u>118,063</u>	<u>-</u>
Net Change in Fund Balances	(388,700)	482,562	482,562	-
Fund Balances - Beginning	(1,609,180)	2,728,042	2,473,982	(254,060)
Fund Balances - Ending	<u>\$ (1,997,880)</u>	<u>\$ 3,210,604</u>	<u>\$ 2,956,544</u>	<u>\$ (254,060)</u>

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Schedule of the County's Proportionate Share**  
**Of the Net Pension Liability-UNAUDITED**  
**Last 10 Fiscal Years\***  
**For the Years Ended September 30, 2017, 2016, and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.134910%	0.132159%	0.137055%
County's proportionate share of the net pension liability (asset)	\$ 22,426,621	\$ 23,606,896	\$ 21,186,000
County's covered payroll	\$ 8,759,534	\$ 8,757,515	\$ 8,605,542
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	256.02%	269.56%	246.19%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Schedule of the County's Contributions-PERS-UNAUDITED**  
**Last 10 Fiscal Years\***  
**For the Years Ended September 30, 2017, 2016, and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,379,627	\$ 1,379,309	\$ 1,355,373
Contributions in relation to the contractually required contribution	<u>(1,379,627)</u>	<u>(1,379,309)</u>	<u>(1,355,373)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	8,759,534	8,757,515	8,605,542
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to Required Supplementary Information-UNAUDITED**  
**For the Year Ended September 30, 2017**

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and the Countywide Road Fund. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	General Fund	Countywide Road Fund
Budget (Cash Basis)	\$ (376,329)	\$ 482,562
Increase (Decrease)		
Net adjustments for revenue accruals	162,108	1,412,532
Net adjustments for expenditure accruals	(263,509)	(1,467,981)
GAAP Basis	\$ (477,730)	\$ 427,113

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to Required Supplementary Information- UNAUDITED**  
**For the Year Ended September 30, 2017**

D. Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of the County's Contributions.

Changes of Assumptions.

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%.

2016

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

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality 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.

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.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to Required Supplementary Information- UNAUDITED**  
**For the Year Ended September 30, 2017**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule.

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

**SUPPLEMENTARY INFORMATION**

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2017**  
**Schedule 1**  
**Page 1**

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Emergency Watershed Protection	10.923	68-4423-16-205	\$ 154,461
Emergency Watershed Protection	10.923	68-4423-16-212	<u>97,676</u>
Total U.S. Department of Agriculture			<u>252,137</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed-Through Mississippi Development Authority			
Community Development Block Grants/State Program*	14.228	1127-10-055-PF-01	<u>1,039,422</u>
Total U.S. Department of Housing and Urban Development			<u>1,039,422</u>
<u>U.S. Department of Justice</u>			
Passed-Through Mississippi/Department of Health			
Crime Victim Assistance	16.575	VA-15-049	187,677
Passed-Through Mississippi Department of Public Safety-			
Division of Public Safety Planning			
Violence Against Women Formula Grants	16.588	15SL1551	59,780
Public Safety Partnership and Community Policing Grants	16.710	14LB1552	<u>5,058</u>
Total U.S. Department of Justice			<u>252,515</u>

\*- denotes major program

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2017**  
**Schedule 1**  
**Page 2**

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed-Through Mississippi Department of Transportation			
Airport Improvement Program	20.106	3-28-0096-011-2016	\$ 10,629
Passed-Through Mississippi Office of Highway Safety			
National Highway Traffic Safety Administration	20.600	17OP1551	9,770
National Priority Safety Program	20.616	405DM5X-2017-MD-15-51	32,297
Occupant Protection	20.616		17,446
Total U.S. Department of Transportation			<u>70,142</u>
<u>U.S. Department of Homeland Security</u>			
Passed-Through Mississippi Emergency Management Agency			
Hazard Mitigation Grant	97.039	HMGP-4081-0016	495,403
Emergency Management Performance Grant	97.042	EMPG-17	43,952
Passed-Through Mississippi Office of Homeland Security			
Homeland Security Grant Program	97.067	16HS055	6,013
Total U.S. Department of Homeland Security			<u>545,368</u>
Total			<u>\$ 2,159,584</u>

\*- denotes major program

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2017**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(1) Basis of Presentation

The accompanying Schedule of Federal Awards is prepared on the modified accrual basis of accounting. 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 County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

(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 limited as to reimbursement.

(3) Indirect Cost Rate

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

## **OTHER INFORMATION**

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Schedule of Surety Bonds for County Officials-Unaudited**  
**For the Year Ended September 30, 2017**

Name	Position	Bond
Donald Hart	Supervisor District 1	\$ 100,000
Malcolm Perry	Supervisor District 2	100,000
Hudson Holliday	Supervisor District 3	100,000
Farron Moeller	Supervisor District 4	100,000
Sandy Kane Smith	Supervisor District 5	100,000
Adrian Lumpkin, Jr.	County Administrator	100,000
Melinda Bowman	Chancery Clerk	100,000
Nance Fitzpatrick Stokes	Circuit Clerk	100,000
Jennifer Mason	Deputy Circuit Clerk	50,000
Melissa Holliday	Deputy Circuit Clerk	50,000
Donna Dubose	Deputy Circuit Clerk	50,000
Abby Smith	Deputy Circuit Clerk	50,000
Jessica Chapoton	Deputy Circuit Clerk	50,000
Elizabeth Smith	Deputy Circuit Clerk	50,000
Janaye Vogt Mayo	Deputy Circuit Clerk	50,000
Allison G. Finch	Deputy Circuit Clerk	50,000
Zeneta John	Deputy Circuit Clerk	50,000
Sandra MacDonald	Deputy Circuit Clerk	50,000
Violene Jordan	Deputy Circuit Clerk	50,000
Lisa Fowler	Purchase Clerk	75,000
Lindsey Pender	Assistant Purchase Clerk	75,000
Pam Bowers	Receiving Clerk	75,000
John Sherman	Inventory Control Clerk	75,000
Ray Bennett	Constable	50,000
Danny Slade	Constable	50,000
Jason Hunt	Constable	50,000
David Allison	Sheriff	100,000
Deputy Sheriffs	Deputy Sheriffs	50,000
Kathy Mason	Justice Court Clerk	50,000
John Mark Mitchell	Justice Court Judge	50,000
Donald Fail	Justice Court Judge	50,000
James H. Breland	Justice Court Judge	50,000
Erin Peterson	Deputy Justice Court Clerk	50,000
Tricia Richmond	Deputy Justice Court Clerk	50,000
Brittany Smith	Deputy Justice Court Clerk	50,000
Deanna Hernandez	Deputy Justice Court Clerk	50,000
Shelby Giadrisich	Deputy Justice Court Clerk	50,000
Deborah Brugoto	Deputy Justice Court Clerk	50,000
Linda Wassum	Deputy Justice Court Clerk	50,000
Gary Beech	Tax Collector	100,000
Charlie Schielder	Road Manager	100,000

**PEARL RIVER COUNTY, MISSISSIPPI  
SPECIAL REPORTS**

# HERZOG CPA COMPANY, PLLC

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

Members of the Board of Supervisors

Pearl River County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pearl River County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 28, 2020. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as 2017-001, that we consider to be a material weakness.

### Compliance and Other Matters

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

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

### Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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. However, this report is a matter of public record and its distribution is not limited.

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**  
Hattiesburg, Mississippi  
September 28, 2020

# HERZOG CPA COMPANY, PLLC

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

Members of the Board of supervisors  
Pearl River County, Mississippi

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

We have audited the compliance of Pearl River County, Mississippi with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

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

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

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

## **Report on Internal Control Over Compliance**

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

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

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

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

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**  
Hattiesburg, Mississippi  
September 28, 2020

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## INDEPENDENT ACCOUNTANTS' REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Pearl River County, Mississippi

We have examined Pearl River County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Pearl River County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Pearl River County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Pearl River County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating Pearl River County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**

Hattiesburg, Mississippi

September 28, 2020

PEARL RIVER COUNTY, MISSISSIPPI  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2017

Schedule 1

Our test results did not identify any purchases not made from the lowest bidder.

PEARL RIVER COUNTY, MISSISSIPPI  
 Schedule of Emergency Purchases  
 For the Year Ended September 30, 2017

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
1/13/2017	Bridge Repairs-Harry Sones Road	\$ 15,000	Pearl River Paving Company, LLC	emergency bridge repairs
8/7/2017	Bridge Repairs-McNeil Steephollow Road	76,914	Holliday Construction	emergency bridge repairs

PEARL RIVER COUNTY, MISSISSIPPI  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2017

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
2/22/2017	10 Online User License	\$ 5,000	ERSI
3/1/2017	Information System Software	20,908	ERSI

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Pearl River County, Mississippi

In planning and performing our audit of the financial statements of Pearl River County, Mississippi for the year ended September 30, 2017, we considered Pearl River County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pearl River County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 28, 2020, on the financial statements of Pearl River County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**

September 28, 2020

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

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2017**

Section 1: Summary of Auditor's Results

***Financial Statements:***

1.	Type of auditor's report issued on the financial statements:	
	Governmental activities	Unmodified
	Aggregate discretely presented component units	Adverse
	General Fund	Unmodified
	Countywide Road Fund	Unmodified
	Aggregate remaining fund information	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	None Reported
3.	Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None Reported

Type of Auditors' report issued on compliance for major federal programs:	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	U.S. Department of Housing and Urban Development Community Development Block Grants/State Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	No
Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)?	No

**PEARL RIVER COUNTY, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2017**

Section 2: Financial Statement Findings

2017-001. Finding

Board of Supervisors

Material Weakness

As reported in prior years, generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior five years' audit reports, the financial statements do not include the financial data for its component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Repeat Finding: Yes, 2016-001.

Criteria: The County should establish procedures to ensure that all component unit's financial data is included in the financial statements.

Condition: The County should include component unit financial data in the financial statements.

Cause: The component unit data was not included in the financial statements.

Effect: The effect on the financial statements is not determinable without the component unit financial data.

Recommendation: The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the County's financial statements.

Views of Responsible Officials: The Board of Supervisors has financial reports on all component units. In the future, financial reports will be compiled together.

Section 3 -Federal Award Findings and Questioned Costs

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