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**PEARL RIVER COUNTY, MISSISSIPPI
Financial Statements and Special Reports
For the Year Ended September 30, 2014**

PEARL RIVER COUNTY, MISSISSIPPI

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INDEPENDENT AUDITORS' REPORT

August 26, 2016

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, 2014, 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, 2014, 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.

Basis for Qualified Opinion on the Governmental Activities

Management has not maintained adequate subsidiary records documenting the County's infrastructure and construction in progress and has not maintained adequate records documenting depreciation on the County's infrastructure. Accounting principles generally accepted in the United States of America require that the governmental activities; infrastructure be depreciated, which would decrease the assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable. Accordingly, we were unable to satisfy ourselves as to the fair presentation of these capital assets and related transactions of the governmental activities.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Pearl River County, Mississippi, as of September 30, 2014, and the change in financial position thereof for the year 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 each major fund and the aggregate remaining fund information of Pearl River County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules 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

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 August 26, 2016, 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 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

**PEARL RIVER COUNTY, MISSISSIPPI
FINANCIAL STATEMENTS**

**PEARL RIVER COUNTY, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 13,651,867
Cash with fiscal agent	225,000
Property tax receivable	14,711,000
Fines receivable (net of allowance for uncollectibles of \$2,427,794)	384,034
Intergovernmental receivables	384,456
Other receivables	326,908
Capital assets:	
Land and construction in progress	1,713,921
Other capital assets, net	81,848,753
Total Assets	\$ 113,245,939
LIABILITIES	
Claims payable	\$ 766,979
Intergovernmental payables	652,374
Accrued interest payable	40,478
Other payables	519,762
Long-term liabilities:	
Due within one year:	
Capital debt	1,535,587
Due in more than one year:	
Capital debt	10,639,465
Non-capital debt	823,978
Total Liabilities	14,978,623
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue-property taxes	14,711,000
Total Deferred Inflows of Resources	14,711,000
NET POSITION	
Net investment in capital assets	71,387,622
Restricted:	
Expendable:	
Debt Service	458,943
Public Safety	518,694
Public Works	3,111,633
Health and Welfare	418,646
Economic Development	83,806
Unrestricted	7,576,972
Total Net Position	83,556,316
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 113,245,939

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

**PEARL RIVER COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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	\$ (8,505,933)	\$ 1,330,980	\$ 32,217	\$ -	\$ (7,142,736)
Public safety	(9,127,733)	2,180,917	448,129	548,128	(5,950,559)
Public works	(4,623,714)	330,545	988,235	673,776	(2,631,158)
Health and welfare	(362,487)	-	192,301	2,500	(167,686)
Culture and recreation	(324,379)	-	-	-	(324,379)
Education	(210,061)	-	-	-	(210,061)
Conservation of natural resources	(263,528)	-	-	-	(263,528)
Economic development and assistance	(237,066)	-	-	-	(237,066)
Interest on long-term debt	(284,783)	-	-	-	(284,783)
Total Governmental Activities	<u>(23,939,684)</u>	<u>3,842,442</u>	<u>1,660,882</u>	<u>1,224,404</u>	<u>(17,211,956)</u>
General revenues:					
Property taxes					\$ 15,414,190
Road & bridge privilege taxes					787,930
Grants and contributions not restricted to specific programs					1,339,208
Unrestricted investment income					26,037
Miscellaneous					1,204,478
Extraordinary item-gain on early extinguishment of debt					5,594,898
Total General Revenues and Extraordinary Item					<u>24,366,741</u>
Changes in Net Position					<u>7,154,785</u>
Net Position - Beginning , as previously reported					76,543,179
Prior Period Adjustment					<u>(141,648)</u>
Net Position - Beginning, as restated					<u>76,401,531</u>
Net Position - Ending					<u>\$ 83,556,316</u>

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

**PEARL RIVER COUNTY, MISSISSIPPI
BALANCE SHEET- GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 8,316,343	\$ 1,710,876	\$ 3,624,648	\$ 13,651,867
Cash with fiscal agent	-	-	225,000	225,000
Property tax receivable	11,165,000	1,396,000	2,150,000	14,711,000
Fines receivable, (net of allowance for uncollectibles of \$2,427,794)	384,034	-	-	384,034
Intergovernmental receivables	327,622	-	56,834	384,456
Due from other funds	-	83,284	38,369	121,653
Advances to other funds	-	97,330	-	97,330
Other receivables	326,908	-	-	326,908
Total Assets	\$ 20,519,907	\$ 3,287,490	\$ 6,094,851	\$ 29,902,248
LIABILITIES				
Claims payable	\$ 371,243	\$ 276,310	\$ 119,426	\$ 766,979
Intergovernmental payables	652,374	-	-	652,374
Due to other funds	121,653	-	-	121,653
Advances from other funds	97,330	-	-	97,330
Other payables	519,762	-	-	519,762
Total Liabilities	1,762,362	276,310	119,426	2,158,098
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-property taxes	11,165,000	1,396,000	2,150,000	14,711,000
Unearned revenue-fines	384,034	-	-	384,034
Total Deferred Inflows of Resources	11,549,034	1,396,000	2,150,000	15,095,034
FUND BALANCES				
Restricted for:				
Debt service	-	-	499,421	499,421
Assigned to:				
Advances	-	97,330	-	97,330
Public Safety	-	-	518,694	518,694
Public Works	-	1,517,850	1,496,453	3,014,303
Health and Welfare	-	-	418,646	418,646
Economic Development	-	-	83,806	83,806
Unassigned	7,208,511	-	808,405	8,016,916
Total Fund Balances	7,208,511	1,615,180	3,825,425	12,649,116
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,519,907	\$ 3,287,490	\$ 6,094,851	\$ 29,902,248

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

**PEARL RIVER COUNTY, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Exhibit 3-1

	Amount
Total Fund Balance - Governmental Funds	\$ 12,649,116
Amounts reported for governmental activities in the Statement of Net Position are different because:	
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 \$98,179,789.	83,562,674
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	384,034
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(12,999,030)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(40,478)
Total Net Position - Governmental Activities	\$ 83,556,316

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 BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 11,704,459	\$ 1,478,816	\$ 2,230,915	\$ 15,414,190
Road and bridge privilege taxes	-	787,930	-	787,930
Licenses, commissions and other revenue	915,304	-	124,028	1,039,332
Fines and forfeitures	1,025,599	-	26,139	1,051,738
Intergovernmental revenues	1,727,743	1,100,848	1,395,903	4,224,494
Charges for services	1,476,809	211,016	622,155	2,309,980
Interest income	17,672	2,013	6,352	26,037
Miscellaneous revenues	1,012,578	94,143	97,757	1,204,478
Total Revenues	17,880,164	3,674,766	4,503,249	26,058,179
EXPENDITURES				
Current:				
General government	7,800,192	-	515,310	8,315,502
Public safety	6,722,040	-	1,745,705	8,467,745
Public works	207,161	2,826,191	2,288,897	5,322,249
Health and welfare	362,487	-	-	362,487
Culture and recreation	300,262	-	16,581	316,843
Education	200,426	-	9,635	210,061
Conservation of natural resources	206,665	-	47,586	254,251
Economic development and assistance	237,066	-	-	237,066
Debt service:				
Principal	37,440	520,000	973,979	1,531,419
Interest and other fiscal charges	11,607	50,320	295,892	357,819
Total Expenditures	16,085,346	3,396,511	5,893,585	25,375,442
Excess of Revenues over (under) Expenditures	1,794,818	278,255	(1,390,336)	682,737
OTHER FINANCING SOURCES (USES)				
Transfers in	48,069	-	1,416,815	1,464,884
Transfers out	(1,416,815)	-	(48,069)	(1,464,884)
Proceeds from issuance of debt	160,000	-	674,526	834,526
Proceeds from sale of capital assets	14,440	181,703	137,333	333,476
Total Other Financing Sources and Uses	(1,194,306)	181,703	2,180,605	1,168,002
Net Changes in Fund Balances	600,512	459,958	790,269	1,850,739
Fund Balances - Beginning , as previously reported	6,661,375	1,101,846	2,810,156	10,573,377
Prior period adjustment	(53,376)	53,376	225,000	225,000
Fund Balances - Beginning , as restated	6,607,999	1,155,222	3,035,156	10,798,377
Fund Balances - Ending	\$ 7,208,511	\$ 1,615,180	\$ 3,825,425	\$ 12,649,116

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 BLANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Exhibit 4-1

Net Changes in Fund Balances - Total Governmental Funds	\$	1,850,739
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Amounts reported for governmental activities in the Statement of Activities are different because:

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 \$1,999,003 was exceeded by capital outlays of \$2,002,126 in the current period.		3,123
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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 \$52,591 and the proceeds from the sale of \$333,476 in the current period.		(386,067)
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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.		(558,608)
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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 \$1,531,419 and fully cancelled loan of \$4,660,703 exceeded debt proceeds of \$834,526.		5,357,596
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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:		
The amount of decrease in accrued interest payable, including decrease of \$934,195 accrued interest on fully cancelled loan.		992,289
The amount of increase in compensated absences		(119,229)
The amortization of:		
Premiums on refunding bonds		18,953
Discount on refunding bonds		(4,011)

Change in Net Position of Governmental Activities	\$	7,154,785
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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, 2014**

	Exhibit 5
	<u>Agency Funds</u>
ASSETS	
Cash	\$ 745,088
Total Assets	<u>\$ 745,088</u>
LIABILITIES	
Amounts held in custody for others	\$ 745,088
Total Liabilities	<u>\$ 745,088</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, 2014

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
- Steephollow 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, 2014

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, liabilities, deferred inflows of resources, fund equity, 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.

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, 2014

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, 2014

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. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain resources and revenues associated with the County's revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "administrative expense" fund is used to provide for, to the extent of moneys available, all expenses of the developer or the County (not otherwise paid or provided for out of the proceeds of the sale of certificates) incidental to the certificates and required to be paid by either of them in order to comply with the terms of the certificates or the trust indenture. The "base rental fund" fund is used to accumulate base rental payments until transfer of funds to the interest account and the principal account in amounts of interest and principal then due. The "debt service reserve" fund is used to report resources set aside to subsidize potential deficiencies from the County's operation that could adversely affect debt service payments. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. 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.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

J. Capital Assets. (Continued)

	Capitalization Thresholds	Estimated Useful Life
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.

K. Deferred Inflows of Resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unearned revenue from property taxes and unearned revenue from fines.

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, constructions or improvements of those assets.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

M. Equity Classifications. (Continued)

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."

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.

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

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.

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.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

N. Property Tax Revenues. (Continued)

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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

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 standard issued by the Governmental Accounting Standard Board (GASB) in the current fiscal year as required: GASB 65, Items Previously Reported as Assets and Liabilities. The provisions of this standard have been incorporated into the financial statements and notes.

II. Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To adjust beginning balances of capital assets to correct errors in capital asset records and to reflect certain routine reclassifications of paid-off capital leases	\$ 366,103
To adjust beginning balances of unamortized bond issuance costs due to the implementation of GASB 65	(207,378)
To adjust beginning balances of capital debt to record refunding bond not recorded in prior years	(525,373)
To record beginning balance of cash with fiscal agents for refunding bond not recorded in prior year	225,000
Total prior period adjustments	<u>\$ (141,648)</u>

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

II. Prior Period Adjustments. (Continued)

Exhibit 4 - Statement of Revenues, Expenditures and Changes in fund Balances- Governmental Funds.

Explanation	Amount
To correct recording of 9/30/13 tax collector receivable in general fund	\$ (53,376)
To correct recording of 9/30/13 tax collector receivable in countywide road fund	53,376
To record beginning balance of cash with fiscal agents for refunding bond not recorded in prior year	225,000
Total prior period adjustments	\$ 225,000

III. Deposits and Cash with Fiscal Agent.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$14,396,955 and the bank balance was \$14,684,244. 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.

Cash with Fiscal Agent:

The carrying amount of the County's cash with a fiscal agent held by a financial institution at September 30, 2014 was \$225,000.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

IV. Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund:</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Fund	General Fund	\$ 83,284
Other Governmental Funds	General Fund	38,369
Total		<u>\$ 121,653</u>

The receivables represent the tax revenue collected but not settled until October 2014. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund:</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Fund	General Fund	<u>\$ 97,330</u>

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 48,069
Other Governmental Funds	General Fund	1,416,815
Total		<u>\$ 1,464,884</u>

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, 2014

V. Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 327,622
Alcohol open container requirements grant	42,919
Violence against women formula grant	4,973
TRIAD grant	5,000
Occupant protection grant	578
Crime Victim Assistance Grant	3,364
Total Governmental Activities	<u>\$ 384,456</u>

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

VI. Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental Activities:

	Balance Oct 1, 2013	Additions	Deletions	Adjustments*	Balance Sept 30, 2014
Non-depreciable capital assets:					
Land	\$ 1,649,496	\$ 8,647	\$ -	\$ 19,778	\$ 1,677,921
Construction in progress	-	36,000	-	-	36,000
Total non-depreciable capital assets	1,649,496	44,647	-	19,778	1,713,921
Depreciable capital assets:					
Infrastructure	140,589,617	770,214	-	130,918	141,490,749
Buildings	28,859,278	-	(675,119)	202,473	28,386,632
Improvements other than buildings	339,124	-	-	-	339,124
Mobile equipment	5,876,550	247,075	(1,251,545)	26,840	4,898,920
Furniture and equipment	3,663,685	100,453	(47,400)	312,322	4,029,060
Leased property under capital leases	304,547	839,737	-	(260,227)	884,057
Total depreciable capital assets	179,632,801	1,957,479	(1,974,064)	412,326	180,028,542
Less accumulated depreciation for:					
Infrastructure	85,839,347	802,183	-	2,619	86,644,149
Buildings	4,174,935	548,221	(540,096)	8,098	4,191,158
Improvements other than buildings	118,869	13,567	-	-	132,436
Mobile equipment	4,648,424	185,758	(1,004,881)	56,064	3,885,365
Furniture and equipment	2,647,115	350,810	(43,020)	265,332	3,220,237
Leased property under capital leases	274,092	98,464	-	(266,112)	106,444
Total accumulated depreciation	97,702,782	1,999,003	(1,587,997)	66,001	98,179,789
Total depreciable capital assets, net	81,930,019	(41,524)	(386,067)	346,325	81,848,753
Governmental activities capital assets, net	\$ 83,579,515	\$ 3,123	\$ (386,067)	\$ 366,103	\$ 83,562,674

* The adjustments were to adjust for construction in progress that was not recorded in prior years.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

VI. Capital Assets. (Continued)

Depreciation expense was changed to the following functions:

Governmental Activities:	Amount
General government	\$ 329,843
Public safety	691,104
Public works	963,836
Culture and recreation	5,963
Conservation of natural resources	8,257
Total governmental activities depreciation expense	\$ 1,999,003

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, 2014, to January 1, 2015. 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, 2014:

Classes of Property	Governmental Activities
Mobile equipment	\$ 718,547
Furniture and equipment	165,510
Total	884,057
Less: Accumulated depreciation	(106,444)
Leased Property under Capital Leases	\$ 777,613

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

VIII. Capital Leases. (Continued)

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 117,401	\$ 15,596
2016	113,592	13,229
2017	368,152	7,513
2018	194,559	1,814
2019	19,603	147
Total	<u>\$ 813,307</u>	<u>\$ 38,299</u>

IX. Long-Term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road and Bridge, Series 2008	\$ 1,100,000	3.70%	09/2016
Katrina Loan Refunding Bonds, Series 2010	773,000	3.35%	03/2020
General Obligation Refunding Bonds, Series 2011	4,873,205	3.625 - 4.625%	02/2023
Total General Obligation Bonds	<u>\$ 6,746,205</u>		
B. Limited Obligation Bonds:			
Hospital Improvements, Series 2012	\$ 4,330,000	2.00-3.75%	07/2032
Total Limited Obligation Bonds	<u>\$ 4,330,000</u>		
C. Capital Leases			
One F-350 Crew Cab Truck	\$ 30,805	1.77%	06/2017
3 Kyocera Chancery Copiers	5,041	2.75%	04/2015
1 Kyocera Sheriff's Copier	1,078	2.75%	04/2015
4 John Deere Excavators	379,827	2.14%	02/2017
3 Caterpillar Backhoes	249,216	1.85%	01/2018
Computer System	147,340	2.24%	04/2019
Total Capital Leases	<u>\$ 813,307</u>		
D. Other Loans:			
Urban Renewal Note	\$ 205,551	4.37%	02/2025
Total Other Loans	<u>\$ 205,551</u>		

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

IX. Long-Term Debt. (Continued)

Governmental Activities

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,223,000	\$ 174,829	\$ 180,000	\$ 128,172
2016	1,263,000	139,142	180,000	124,572
2017	716,000	113,011	185,000	120,972
2018	731,000	96,907	195,000	117,272
2019	750,000	78,951	200,000	113,372
2020-2024	2,063,205	118,220	1,065,000	493,838
2025-2029	-	-	1,250,000	325,275
2030-2034	-	-	1,075,000	88,470
Total	<u>\$ 6,746,205</u>	<u>\$ 721,060</u>	<u>\$ 4,330,000</u>	<u>\$ 1,511,943</u>

Other Loans

Year Ending September 30

	<u>Principal</u>	<u>Interest</u>
2015	\$ 15,186	\$ 8,620
2016	15,883	7,922
2017	16,622	7,193
2018	17,390	6,430
2019	18,630	5,634
2020-2024	106,392	14,928
2025-2029	15,448	90
Total	<u>\$ 205,551</u>	<u>\$ 50,817</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, 2014, the amount of outstanding debt was 3.46% of the latest property assessments.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

IX. Long-Term Debt. (Continued)

The following is a summary of changes in long-term liabilities and obligations for year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 704,749	\$ 119,229	\$ -	\$ 823,978	\$ -
General Obligation bonds	7,936,205	-	(1,190,000)	6,746,205	1,223,000
Less:					
Discount	(16,288)	-	2,715	(13,573)	-
Discount	(6,395)	-	791	(5,604)	-
Add:					
Premium	74,893	-	(12,483)	62,410	-
Premium	52,348	-	(6,470)	45,878	-
Limited Obligation bonds	4,505,000	-	(175,000)	4,330,000	180,000
Less:					
Discount	(9,627)		505	(9,122)	-
Capital leases	130,685	834,526	(151,904)	813,307	117,401
Other Loans	4,880,769	-	(4,675,218)	205,551	15,186
Total	<u>\$ 18,252,339</u>	<u>\$ 953,755</u>	<u>\$ (6,207,064)</u>	<u>\$ 12,999,030</u>	<u>\$ 1,535,587</u>

On April 28, 2014, the U.S. Department of Homeland Security, Federal Management Agency, fully cancelled the \$4,660,703 FEMA Community Disaster Loan. The cancellation was authorized under the provisions of the U.S. Troop Readiness, Veterans Care, Katrina Recovery, an Iraq Accountability Appropriations Act, 2007.

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, 2014

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 \$185,000 in fiscal year 2014. 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 Cities of Poplarville and Picayune, the Chamber of Commerce and Pearl River Community College in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Pearl River County Development Association. The association was created to foster, encourage and facilitate economic development in the County. The association is composed of seven members appointed as follows: Pearl River County, two; Poplarville, one; Picayune, one; Chamber of Commerce, two; and Pearl River Community College, one. The County's appropriation to the joint venture was \$0 in fiscal year 2014. Complete financial statements can be obtained from P.O. Box 278, 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 \$17,512 in fiscal year 2014. Complete financial statements can be obtained from Highway 53 South, Poplarville, MS 39470.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

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 \$92,000 for support of the agency in fiscal year 2014.

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 \$2,500 for support of the agency in fiscal year 2014.

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 2014.

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 \$1,505,865 for maintenance and support of the college in fiscal year 2014.

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 \$40,000 for support of the district in fiscal year 2014.

XIII. Defined Benefit 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. Benefit provisions are established by state law 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 information may be obtained by writing to Public Employees’ Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy – PERS members are required to contribute 9% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County’s contributions (employer share only) to PERS for the years ending September 30, 2014, 2013, and 2012 were \$1,319,695, \$1,155,871, and \$1,024,335, respectively, equal to the required contributions for each year.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

XIV. 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 August 26, 2016, (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.

The County approved financing of radios for Volunteer Fire Districts on April 29, 2015 for \$188,312.

The County approved lease financing of two Kubota tractors and Diamond boom movers on June 9, 2015 for \$169,594.

The County approved lease financing on one road hog machine on June 16, 2015 for \$99,440.

A sewer lagoon at the jail was completed in August 2015 with a total cost of \$1,073,972. The lagoon was funded by a grant from the CORP of approximately \$600,000.

The County approved lease financing on 2016 Dodge Durango on May 2, 2016 for \$25,543.

The County approved lease financing on five 2017 Western Star Dump Trucks on June 21, 2016 for \$597,605.

The County approved lease financing on 2016 Ford F-150 on June 21, 2016 for \$28,210.

XV. Extraordinary Item.

On April 28, 2014, the U.S. Department of Homeland Security, Federal Management Agency, fully cancelled the \$4,660,703 FEMA Community Disaster Loan. The cancellation was authorized under the provisions of the U.S. Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007. The cancelled loan of \$4,660,703 plus accrued interest of \$934,195 is reported as an extraordinary item – gain on early extinguishment of debt of \$5,594,898.

XVI. Other Matters.

The County 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. The County guaranteed a \$111,000 loan for the Derby/Whitesand Fire District.

There is an ongoing investigation of the Chancery Clerk Fee Account by the Office of the State Auditor.

REQUIRED SUPPLEMENTARY INFORMATION

PEARL RIVER COUNTY, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 10,754,500	\$ 11,711,227	\$ 11,711,227	\$ -
Licenses, commissions and other revenue	802,000	909,880	909,880	-
Fines and forfeitures	939,000	1,027,286	1,027,286	-
Intergovernmental revenues	1,223,000	1,727,743	1,727,743	-
Charges for services	1,445,000	1,476,809	1,476,809	-
Interest income	40,700	17,663	17,663	-
Miscellaneous revenues	752,500	1,017,740	1,017,740	-
Total Revenues	<u>15,956,700</u>	<u>17,888,348</u>	<u>17,888,348</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	6,940,000	7,703,370	7,703,370	-
Public safety	6,297,300	6,696,473	6,696,473	-
Public works	183,500	206,074	206,074	-
Health and welfare	352,000	361,429	361,429	-
Culture and recreation	315,000	303,496	303,496	-
Education	150,000	195,362	195,362	-
Conservation of natural resources	202,684	206,506	206,506	-
Economic development and assistance	244,000	237,004	237,004	-
Debt service:				
Principal	52,000	37,440	37,440	-
Interest	-	11,607	11,607	-
Total Expenditures	<u>14,736,484</u>	<u>15,958,761</u>	<u>15,958,761</u>	<u>-</u>
Excess of Revenues over Expenditures	<u>1,220,216</u>	<u>1,929,587</u>	<u>1,929,587</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	456,969	456,969	-
Transfers out	(1,700,000)	(2,120,622)	(2,120,622)	-
Total Other Financing Sources and Uses	<u>(1,700,000)</u>	<u>(1,663,653)</u>	<u>(1,663,653)</u>	<u>-</u>
Net Change in Fund Balance	<u>(479,784)</u>	<u>265,934</u>	<u>265,934</u>	<u>-</u>
Fund Balances - Beginning	<u>4,126,059</u>	<u>7,592,903</u>	<u>5,989,396</u>	<u>(1,603,507)</u>
Fund Balances - Ending	<u>\$ 3,646,275</u>	<u>\$ 7,858,837</u>	<u>\$ 6,255,330</u>	<u>\$ (1,603,507)</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
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,385,000	\$ 1,477,939	\$ 1,477,939	\$ -
Road and bridge privilege taxes	675,000	783,613	783,613	-
Intergovernmental revenues	1,625,000	1,100,848	1,100,848	-
Charges for services	75,000	211,016	211,016	-
Interest income	17,000	2,013	2,013	-
Miscellaneous revenues	-	275,846	275,846	-
Total Revenues	<u>3,777,000</u>	<u>3,851,275</u>	<u>3,851,275</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	3,263,248	2,664,899	2,664,899	-
Debt Service:				
Principal	520,000	520,000	520,000	-
Interest	51,000	50,320	50,320	-
Total Expenditures	<u>3,834,248</u>	<u>3,235,219</u>	<u>3,235,219</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(57,248)</u>	<u>616,056</u>	<u>616,056</u>	<u>-</u>
Net Change in Fund Balance	<u>(57,248)</u>	<u>616,056</u>	<u>616,056</u>	<u>-</u>
Fund Balances - Beginning	<u>(1,339,332)</u>	<u>1,348,950</u>	<u>1,094,820</u>	<u>(254,130)</u>
Fund Balances - Ending	<u>\$ (1,396,580)</u>	<u>\$ 1,965,006</u>	<u>\$ 1,710,876</u>	<u>\$ (254,130)</u>

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

PEARL RIVER COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2014

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)	\$ 265,934	\$ 616,056
Increase (Decrease)		
Net adjustments for revenue accruals	161,163	5,194
Net adjustments for expenditure accruals	173,415	(161,292)
GAAP Basis	\$ 600,512	\$ 459,958

OTHER INFORMATION

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014

<u>Name</u>	<u>Position</u>	<u>Bond</u>
Anthony Hales	Supervisor District 1	\$ 100,000
Joyce Culpepper	Supervisor District 2	100,000
Angela Carr	Supervisor District 2	100,000
Dennis Dedeaux	Supervisor District 3	100,000
J. Patrick Lee	Supervisor District 4	100,000
Sandy Kane Smith	Supervisor District 5	100,000
Adrian Lumpkin, Jr.	County Administrator	100,000
David Earl Johnson	Chancery Clerk	100,000
Vickie Hariel	Circuit Clerk	100,000
Beth Keeling	Deputy Circuit Clerk	50,000
Jennifer Mason	Deputy Circuit Clerk	50,000
Melinda Bowman	Deputy Circuit Clerk	50,000
Recinda Theriot	Deputy Circuit Clerk	50,000
Janson Owens	Deputy Circuit Clerk	50,000
Anita Sumrall	Purchase Clerk	75,000
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
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
Tricia Richmond	Deputy Justice Court Clerk	50,000
Jane Tatum	Deputy Justice Court Clerk	50,000
Anna Allen	Deputy Justice Court Clerk	50,000
Gary Beech	Tax Collector	100,000
Dale Miller	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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 26, 2016. 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. The report is qualified on the governmental activities because the County has not maintained adequate subsidiary records documenting the County's infrastructure and construction in progress and has not maintained adequate records documenting depreciation on the County's infrastructure as required by accounting principles generally accepted in the United States of America.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying Schedule of Findings as 2014-001, 2014-002, 2014-003, and 2014-004 to be material weaknesses.

Member of the American Institute of Certified Public Accountants and the Mississippi Society of Certified Public Accountants

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 Responses. 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
August 26, 2016

HERZOG CPA COMPANY, PLLC

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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, 2014. 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.

The County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance.

Our findings and recommendations and your response are disclosed below:

Inventory Control Clerk

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in the prior years' audit reports, control procedures were inadequate for maintaining adequate subsidiary records documenting the County's infrastructure and construction in progress and for documenting depreciation on the County's infrastructure. Therefore, the Independent Auditor's Report includes a qualified opinion on the financial position of the governmental activities. The failure to maintain a proper inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, completeness, and valuation of capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response

The Board of Supervisors is working to implement a solution to this finding in the future.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, 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, 2014.

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.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Pearl River County, Mississippi, 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
August 26, 2016

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

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, 2014

Schedule 2

Our test results did not identify any emergency purchases.

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
3/19/2014	Information System Software	\$ 18,350	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, 2014, 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 August 26, 2016, 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

August 26, 2016

SCHEDULE OF FINDINGS AND RESPONSES

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Modified |
| | 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 |

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Chancery Clerk

Material Weakness

2014-001. The Chancery Clerk's annual financial report should agree to the fee journal

Finding

The following line items on the annual financial report do not agree to the fee journal report: County payroll income for the Clerk of the Board and the County Treasurer, the fee income for the mineral lease commissions, the retirement contribution on employee wages, the employer insurance on employees, office expenses, and other revenue.

Recommendation

The 2014 annual financial report should be amended to reflect the amounts included in the fee journal.

Chancery Clerk's Response

The Chancery Clerk will file an amended annual financial report with the State Auditor's Office.

Board of Supervisors

Material Weakness

2014-002. Financial data of the County's component units should be included in the financial statements.

Finding

As reported in prior year, 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 four 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.

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.

Board of Supervisors' Response

The Board of Supervisors has financial reports on all component units. In the future, financial reports can be compiled together.

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings (continued)

Justice Court Clerk

Material Weakness

2014-003. The Justice Court Clerk should maintain fines receivable reports as of the end of the fiscal year.

Finding

Fines receivable for Justice Court could not be accurately determined as of September 30, 2014 due to the fact that the computer system does not automatically archive reports for the fines receivable.

Recommendation

Fines receivable reports should be printed at September 30th of each year and maintained for accounting purposes.

Justice Court Clerk's Response

The Justice Court Clerk will print out a fines receivable report on the last day of the fiscal year to be supplied for financial statement compilation and audit.

Inventory Control Clerk

Material Weakness

2014-004. The County should maintain adequate capital asset subsidiary records

Finding

As reported in prior year, an effective system of internal control should include adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets as well as the depreciation of these assets. As reported in the prior years' audit reports, control procedures were inadequate for maintaining adequate subsidiary records documenting the County's capital assets including infrastructure and for documenting depreciation on the County's capital assets. The County's control procedures were also inadequate for documenting construction in progress, which resulted in a prior period adjustment to buildings. Therefore, the Independent Auditors' Report includes a qualified opinion on the financial position of the governmental activities. The failure to maintain a proper inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, completeness, and valuation of capital assets. Also, records should be maintained documenting depreciation on capital assets.

Board of Supervisors' Response

The Board of Supervisors is working to implement a solution to this finding in the future.