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PEARL RIVER COUNTY, MISSISSIPPI
Financial Statements and Special Reports
For the Year Ended September 30, 2015

PEARL RIVER COUNTY, MISSISSIPPI

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INDEPENDENT AUDITORS' REPORT

January 22, 2018

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, 2015, 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, 2015, 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, 2015, 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, 2015, 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, 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

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 January 22, 2018, 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, 2015

| | Exhibit 1 |
|---|--------------------|
| | Primary Government |
| | Governmental |
| | Activities |
| ASSETS | |
| Cash | \$ 13,553,985 |
| Cash with fiscal agents | 225,066 |
| Property tax receivable | 14,839,000 |
| Fines receivable (net of allowance for uncollectibles of \$1,330,656) | 739,329 |
| Intergovernmental receivables | 351,603 |
| Other receivables | 332,777 |
| Capital assets: | |
| Land and construction in progress | 1,677,921 |
| Other capital assets, net | 81,478,941 |
| Total Assets | 113,198,622 |
| Deferred Outflows of Resources | |
| Deferred outflows related to pension | 3,762,821 |
| Total Deferred Outflows of Resources | 3,762,821 |
| Total Assets and Deferred Outflows of Resources | \$ 116,961,443 |
| LIABILITIES | |
| Claims payable | \$ 375,554 |
| Intergovernmental payables | 644,708 |
| Accrued interest payable | 41,605 |
| Other payables | 339,125 |
| Long-term liabilities: | |
| Net pension liabilities | 21,186,000 |
| Due within one year: | |
| Capital debt | 1,683,738 |
| Due in more than one year: | |
| Capital debt | 9,364,714 |
| Non-capital debt | 794,593 |
| Total Liabilities | 34,430,037 |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue-property taxes | 14,839,000 |
| Total Deferred Inflows of Resources | 14,839,000 |
| NET POSITION | |
| Net investment in capital assets | 72,108,410 |
| Restricted: | |
| Expendable: | |
| Debt Service | 545,798 |
| Public Safety | 423,249 |
| Public Works | 3,108,093 |
| Health and Welfare | 435,444 |
| Economic Development | 83,893 |
| Unrestricted | (9,012,481) |
| Total Net Position | 67,692,406 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 116,961,443 |

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, 2015**

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 | \$ (7,502,835) | \$ 2,090,025 | \$ 25,935 | \$ - | \$ (5,386,875) |
| Public safety | (7,264,014) | 1,923,901 | 484,022 | 224,424 | (4,631,667) |
| Public works | (6,760,758) | 227,293 | 1,100,148 | 1,129,163 | (4,304,154) |
| Health and welfare | (402,175) | - | 318,556 | 23,000 | (60,619) |
| Culture and recreation | (364,641) | - | - | - | (364,641) |
| Education | (196,246) | - | - | - | (196,246) |
| Conservation of natural resources | (262,560) | - | - | - | (262,560) |
| Economic development and assistance | (235,790) | - | - | - | (235,790) |
| Interest on long-term debt | (311,165) | - | - | - | (311,165) |
| Pension expense | (2,547,512) | - | - | - | (2,547,512) |
| Total Governmental Activities | <u>(25,847,696)</u> | <u>4,241,219</u> | <u>1,928,661</u> | <u>1,376,587</u> | <u>(18,301,229)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | \$ 15,577,271 |
| Road & bridge privilege taxes | | | | | 803,228 |
| Grants and contributions not restricted to specific programs | | | | | 961,342 |
| Unrestricted investment income | | | | | 27,038 |
| Miscellaneous | | | | | 1,292,732 |
| Total General Revenues | | | | | <u>18,661,611</u> |
| Change in Net Position | | | | | <u>360,382</u> |
| Net Position - Beginning , as previously reported | | | | | 83,556,316 |
| Prior Period Adjustment | | | | | <u>(16,224,292)</u> |
| Net Position - Beginning, as restated | | | | | <u>67,332,024</u> |
| Net Position - Ending | | | | | <u>\$ 67,692,406</u> |

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

**PEARL RIVER COUNTY, MISSISSIPPI
BALANCE SHEET- GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

Exhibit 3

| | Major Funds | | Other | Total |
|--|----------------------|---------------------|---------------------|----------------------|
| | General | Countywide | Governmental | Governmental |
| | Fund | Road Fund | Funds | Funds |
| ASSETS | | | | |
| Cash | \$ 8,389,363 | \$ 1,950,749 | \$ 3,213,873 | \$ 13,553,985 |
| Cash with fiscal agents | - | - | 225,066 | 225,066 |
| Property tax receivable | 11,278,000 | 1,390,000 | 2,171,000 | 14,839,000 |
| Fines receivable, (net of allowance for uncollectibles of \$2,033,185) | 739,329 | - | - | 739,329 |
| Intergovernmental receivables | 304,444 | - | 47,159 | 351,603 |
| Due from other funds | - | 83,017 | 37,815 | 120,832 |
| Advances to other funds | - | 97,330 | - | 97,330 |
| Other receivables | 332,777 | - | - | 332,777 |
| Total Assets | <u>\$ 21,043,913</u> | <u>\$ 3,521,096</u> | <u>\$ 5,694,913</u> | <u>\$ 30,259,922</u> |
| LIABILITIES | | | | |
| Claims payable | \$ 293,634 | \$ 40,867 | \$ 41,053 | \$ 375,554 |
| Intergovernmental payables | 644,708 | - | - | 644,708 |
| Due to other funds | 120,832 | - | - | 120,832 |
| Advances from other funds | 97,330 | - | - | 97,330 |
| Other payables | 339,125 | - | - | 339,125 |
| Total Liabilities | <u>1,495,629</u> | <u>40,867</u> | <u>41,053</u> | <u>1,577,549</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue-property taxes | 11,278,000 | 1,390,000 | 2,171,000 | 14,839,000 |
| Unavailable revenue-fines | 739,329 | - | - | 739,329 |
| Unavailable revenue-accounts receivable | - | - | 29,475 | 29,475 |
| Total Deferred Inflows of Resources | <u>12,017,329</u> | <u>1,390,000</u> | <u>2,200,475</u> | <u>15,607,804</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Advances | - | 97,330 | - | 97,330 |
| Restricted for: | | | | |
| Debt service | - | - | 587,403 | 587,403 |
| Assigned to: | | | | |
| Public Safety | - | - | 397,395 | 397,395 |
| Public Works | - | 1,992,899 | 1,014,243 | 3,007,142 |
| Health and Welfare | - | - | 435,444 | 435,444 |
| Economic Development | - | - | 83,893 | 83,893 |
| Unassigned | 7,530,955 | - | 935,007 | 8,465,962 |
| Total Fund Balances | <u>7,530,955</u> | <u>2,090,229</u> | <u>3,453,385</u> | <u>13,074,569</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 21,043,913</u> | <u>\$ 3,521,096</u> | <u>\$ 5,694,913</u> | <u>\$ 30,259,922</u> |

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, 2015**

Exhibit 3-1

| | <u>Amount</u> |
|---|-----------------------------|
| Total Fund Balance - Governmental Funds | \$ 13,074,569 |
| 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 \$100,026,460. | 83,156,862 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | |
| Fines receivable | 739,329 |
| Accounts receivable | 29,475 |
| Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. | (11,843,045) |
| Net pension obligations are not due and payable in the current period and, therefore are not reported in the funds. | (21,186,000) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (41,605) |
| 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 | <u>3,762,821</u> |
| Total Net Position - Governmental Activities | <u><u>\$ 67,692,406</u></u> |

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, 2015

Exhibit 4

| | Major Funds | | Other | Total |
|---|---------------|--------------|--------------|---------------|
| | General | Countywide | Governmental | Governmental |
| | Fund | Road Fund | Funds | Funds |
| REVENUES | | | | |
| Property taxes | \$ 11,848,866 | \$ 1,489,834 | \$ 2,238,570 | \$ 15,577,270 |
| Road and bridge privilege taxes | - | 803,228 | - | 803,228 |
| Licenses, commissions and other revenue | 896,742 | - | 160,642 | 1,057,384 |
| Fines and forfeitures | 868,316 | - | 23,392 | 891,708 |
| Intergovernmental revenues | 1,404,016 | 1,022,409 | 1,824,720 | 4,251,145 |
| Charges for services | 1,238,688 | 29,153 | 668,987 | 1,936,828 |
| Interest income | 19,787 | 2,303 | 4,948 | 27,038 |
| Miscellaneous revenues | 1,043,867 | 147,098 | 87,747 | 1,278,712 |
| Total Revenues | 17,320,282 | 3,494,025 | 5,009,006 | 25,823,313 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 7,160,335 | - | 619,910 | 7,780,245 |
| Public safety | 6,783,145 | - | 1,597,262 | 8,380,407 |
| Public works | 187,411 | 2,590,633 | 3,637,543 | 6,415,587 |
| Health and welfare | 402,175 | - | - | 402,175 |
| Culture and recreation | 336,505 | - | 27,305 | 363,810 |
| Education | 187,208 | - | 9,039 | 196,247 |
| Conservation of natural resources | 221,381 | - | 43,745 | 265,126 |
| Economic development and assistance | 239,456 | - | - | 239,456 |
| Debt service: | | | | |
| Principal | 52,176 | 540,000 | 976,827 | 1,569,003 |
| Interest and other fiscal charges | 12,119 | 30,710 | 282,151 | 324,980 |
| Total Expenditures | 15,581,911 | 3,161,343 | 7,193,782 | 25,937,036 |
| Excess of Revenues over (under) Expenditures | 1,738,371 | 332,682 | (2,184,776) | (113,723) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 115,574 | 60,536 | 1,416,501 | 1,592,611 |
| Transfers out | (1,531,501) | - | (61,110) | (1,592,611) |
| Proceeds from issuance of debt | - | - | 457,345 | 457,345 |
| Insurance proceeds/Impairment of capital assets | - | 81,831 | - | 81,831 |
| Total Other Financing Sources and Uses | (1,415,927) | 142,367 | 1,812,736 | 539,176 |
| Net Changes in Fund Balances | 322,444 | 475,049 | (372,040) | 425,453 |
| Fund Balances - Beginning | 7,208,511 | 1,615,180 | 3,825,425 | 12,649,116 |
| Fund Balances - Ending | \$ 7,530,955 | \$ 2,090,229 | \$ 3,453,385 | \$ 13,074,569 |

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, 2015

Exhibit 4-1

| | |
|--|-------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ 425,453 |
| 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 \$1,897,700 was exceeded by capital outlays of \$1,571,812 in the current period. | (325,888) |
| 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 \$4,844 and the proceeds from the sale of \$81,831 in the current period. | (86,675) |
| 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. | 355,298 |
| Other revenue recognized on the modified accrual basis in the funds during the current year is increased prior year recognition would be required on the Statement of Activities using the full-accrual basis of accounting. | 29,475 |
| 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 \$1,569,003 and exceeded debt proceeds of \$457,345. | 1,111,658 |
| 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 increase in accrued interest payable | (1,127) |
| The amount of decrease in compensated absences | 29,385 |
| The amortization of: | |
| Premiums on refunding bonds | 18,953 |
| Discount on refunding bonds | (4,011) |
| 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: | |
| Recording of pension expense for the current period | (2,547,512) |
| Recording of contributions made during the year | 1,355,373 |
| Change in Net Position of Governmental Activities | <u>\$ 360,382</u> |

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, 2015**

| | Exhibit 5 |
|------------------------------------|-------------------|
| | Agency Funds |
| ASSETS | |
| Cash | \$ 753,485 |
| Total Assets | <u>\$ 753,485</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 753,485 |
| Total Liabilities | <u>\$ 753,485</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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 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 (expense/expenditure) 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.

Property tax for future reporting period/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 –accounts 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.

L. 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, 2015

M. 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.

N. 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.

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.

PEARL RIVER COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2015

N. Equity Classifications. (Continued)

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 Assumptions:

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.

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

P. 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.

Q. 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.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

R. Changes in Accounting Standards.

The County implemented the following standard issued by the governmental accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*; and GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into financial statements and notes.

II. Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2- Statement of Activities:

| Explanation | Amount |
|--|------------------------|
| Implementation of GASB 68 & 71: | |
| Net pension liability (measurement date) | \$ (16,535,099) |
| Deferred outflows of resources-contributions | 304,056 |
| Total prior period adjustments due to implementation of GASB 68 & 71 | <u>(16,231,043)</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 | 6,751 |
| Total prior period adjustments | <u>\$ (16,224,292)</u> |

III. Deposits and Cash with Fiscal Agent.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$14,307,470 and the bank balance was \$14,650,146. 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 Agents:

The carrying amount of the County's cash with fiscal agents held by a financial institution at September 30, 2015 was \$225,066.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

IV. Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

| <u>Receivable Fund:</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|-------------------|
| Countywide Road Fund | General Fund | \$ 83,017 |
| Other Governmental Funds | General Fund | 37,815 |
| Total | | <u>\$ 120,832</u> |

The receivables represent the tax revenue collected but not settled until October 2015. 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 | General Fund | \$ 115,000 |
| General Fund | Other Governmental Funds | 574 |
| Other Governmental Funds | General Fund | 1,416,501 |
| Countywide Road Fund | Other Governmental Funds | 60,536 |
| Total | | <u>\$ 1,592,611</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, 2015

V. Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015 consisted of the following:

| Description | Amount |
|---|-------------------|
| Governmental Activities: | |
| Legislative tax credit | \$ 304,444 |
| Alcohol open container requirements grant | 13,132 |
| Violence against women formula grant | 2,353 |
| OJP grant | 8,978 |
| Occupant protection grant | 3,621 |
| Crime Victim Assistance Grant | 19,075 |
| Total Governmental Activities | <u>\$ 351,603</u> |

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

VI. Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental Activities:

| | Balance Oct 1, 2014 | Additions | Deletions | Adjustments* | Balance Sept 30, 2015 |
|--|------------------------|---------------------|--------------------|--------------------|--------------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 1,677,921 | \$ - | \$ - | \$ - | \$ 1,677,921 |
| Construction in progress | 36,000 | 1,116,768 | - | (1,152,768) | - |
| Total non-depreciable capital assets | 1,713,921 | 1,116,768 | - | (1,152,768) | 1,677,921 |
| Depreciable capital assets: | | | | | |
| Infrastructure | 141,490,749 | - | - | 87,672 | 141,578,421 |
| Buildings | 28,386,632 | - | - | - | 28,386,632 |
| Improvements other than buildings | 339,124 | - | - | 1,073,972 | 1,413,096 |
| Mobile equipment | 4,898,920 | 157,334 | (119,979) | - | 4,936,275 |
| Furniture and equipment | 4,029,060 | 28,668 | (5,350) | (14,500) | 4,037,878 |
| Leased property under capital leases | 884,057 | 269,042 | - | - | 1,153,099 |
| Total depreciable capital assets | 180,028,542 | 455,044 | (125,329) | 1,147,144 | 181,505,401 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 86,644,149 | 803,937 | - | - | 87,448,086 |
| Buildings | 4,191,158 | 548,221 | - | - | 4,739,379 |
| Improvements other than buildings | 132,436 | 56,527 | - | - | 188,963 |
| Mobile equipment | 3,885,365 | 183,600 | (33,839) | - | 4,035,126 |
| Furniture and equipment | 3,220,237 | 158,521 | (4,815) | (12,375) | 3,361,568 |
| Leased property under capital leases | 106,444 | 146,894 | - | - | 253,338 |
| Total accumulated depreciation | 98,179,789 | 1,897,700 | (38,654) | (12,375) | 100,026,460 |
| Total depreciable capital assets, net | 81,848,753 | (1,442,656) | (86,675) | 1,159,519 | 81,478,941 |
| Governmental activities capital assets, net | \$ 83,562,674 | \$ (325,888) | \$ (86,675) | \$ 6,751 | \$ 83,156,862 |

* The adjustments are to correct errors in capital asset records and to reflect certain routine reclassifications of paid-off capital leases.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

VI. Capital Assets. (Continued)

Depreciation expense was changed to the following functions:

| Governmental Activities: | Amount |
|--|---------------------|
| General government | \$ 308,400 |
| Public safety | 544,355 |
| Public works | 1,034,059 |
| Culture and recreation | 5,049 |
| Conservation of natural resources | 5,837 |
| Total governmental activities depreciation expense | <u>\$ 1,897,700</u> |

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, 2015, to January 1, 2016. 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, 2015:

| <u>Classes of Property</u> | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| Mobile equipment | \$ 987,589 |
| Furniture and equipment | <u>165,510</u> |
| Total | 1,153,099 |
| Less: Accumulated depreciation | <u>(253,338)</u> |
| Leased Property under Capital Leases | <u>\$ 899,761</u> |

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

VIII. Capital Leases. (Continued)

The following is a schedule by years of the total payments due as of September 30, 2015:

| <u>Year Ending September 30:</u> | <u>Governmental Activities</u> | |
|----------------------------------|--------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 224,850 | \$ 20,924 |
| 2017 | 481,681 | 12,936 |
| 2018 | 295,835 | 4,942 |
| 2019 | 78,837 | 1,671 |
| 2020 | 38,632 | 305 |
| Total | <u>\$ 1,119,835</u> | <u>\$ 40,778</u> |

IX. Long-Term Debt.

Debt outstanding as of September 30, 2015, 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 | \$ 560,000 | 3.70% | 09/2016 |
| Katrina Loan Refunding Bonds, Series 2010 | 655,000 | 3.35% | 03/2020 |
| General Obligation Refunding Bonds, Series 2011 | 4,308,205 | 3.625 - 4.625% | 02/2023 |
| Total General Obligation Bonds | <u>\$ 5,523,205</u> | | |
| B. Limited Obligation Bonds: | | | |
| Hospital Improvements, Series 2012 | \$ 4,150,000 | 2.00-3.75% | 07/2032 |
| Total Limited Obligation Bonds | <u>\$ 4,150,000</u> | | |
| C. Capital Leases | | | |
| Computer System | \$ 116,469 | 2.24% | 04/2019 |
| One F-350 Crew Cab Truck | 19,776 | 1.77% | 06/2017 |
| 4 John Deere Excavators | 339,129 | 2.14% | 02/2017 |
| 3 Caterpillar Backhoes | 220,531 | 1.85% | 01/2018 |
| 130 Motorola Radios | 173,394 | 2.19% | 04/2020 |
| 2 Kubota Tractors & 2 Diamond Mowers | 155,825 | 1.89% | 06/2018 |
| Road Hog | 94,711 | 2.09% | 06/2020 |
| Total Capital Leases | <u>\$ 1,119,835</u> | | |
| D. Other Loans: | | | |
| Urban Renewal Note | \$ 190,365 | 4.37% | 02/2025 |
| Total Other Loans | <u>\$ 190,365</u> | | |

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

IX. Long-Term Debt. (Continued)

| <u>Governmental Activities</u> | | | | | |
|---------------------------------|---------------------------------|-------------------|---------------------------------|---------------------|--|
| <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> | |
| 2016 | \$ 1,263,000 | \$ 84,692 | \$ 180,000 | \$ 124,572 | |
| 2017 | 716,000 | 113,012 | 185,000 | 120,973 | |
| 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 | 109,373 | |
| 2021-2025 | 1,293,205 | 59,250 | 1,095,000 | 464,725 | |
| 2026-2030 | - | - | 1,290,000 | 284,225 | |
| 2031-2035 | - | - | 805,000 | 49,260 | |
| Total | <u>\$ 5,523,205</u> | <u>\$ 491,782</u> | <u>\$ 4,150,000</u> | <u>\$ 1,383,773</u> | |

| <u>Year Ending September 30</u> | <u>Other Loans</u> | | |
|---------------------------------|--------------------|------------------|--|
| | <u>Principal</u> | <u>Interest</u> | |
| 2016 | \$ 15,888 | \$ 7,922 | |
| 2017 | 16,622 | 7,192 | |
| 2018 | 17,390 | 6,430 | |
| 2019 | 18,630 | 5,634 | |
| 2020 | 19,462 | 4,802 | |
| 2021-2025 | 102,373 | 10,216 | |
| Total | <u>\$ 190,365</u> | <u>\$ 42,196</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, 2015, the amount of outstanding debt was 2.97% of the latest property assessments.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

IX. Long-Term Debt. (Continued)

The following is a summary of changes in long-term liabilities and obligations for year ended September 30, 2015:

| | Balance Oct. 1, 2014 | Additions | Reductions | Balance Sept. 30, 2015 | Amount Due Within One Year |
|---------------------------------|-------------------------|-------------------|-----------------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 823,978 | \$ - | \$ (29,385) | \$ 794,593 | \$ - |
| General Obligation bonds | 6,746,205 | - | (1,223,000) | 5,523,205 | 1,263,000 |
| Less: | | | | | |
| Discount | (13,573) | - | 2,715 | (10,858) | - |
| Discount | (5,604) | - | 791 | (4,813) | - |
| Add: | | | | | |
| Premium | 62,410 | - | (12,483) | 49,927 | - |
| Premium | 45,878 | - | (6,470) | 39,408 | - |
| Limited Obligation bonds | 4,330,000 | - | (180,000) | 4,150,000 | 180,000 |
| Less: | | | | | |
| Discount | (9,122) | | 505 | (8,617) | - |
| Capital leases | 813,307 | 457,345 | (150,817) | 1,119,835 | 224,850 |
| Other loans | 205,551 | - | (15,186) | 190,365 | 15,888 |
| Total | <u>\$ 12,999,030</u> | <u>\$ 457,345</u> | <u>\$ (1,613,330)</u> | <u>\$ 11,843,045</u> | <u>\$ 1,683,738</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.

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.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

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 \$200,000 in fiscal year 2015. 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 \$2,400 in fiscal year 2015. 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 2015.

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 \$5,000 for support of the agency in fiscal year 2015.

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 2015.

PEARL RIVER COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2015

XII. Jointly Governed Organizations. (Continued)

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 \$1,522,247 for maintenance and support of the college in fiscal year 2015.

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 \$64,944 for support of the district in fiscal year 2015.

XIII. Pension Plan Obligations.

General Information about the Pension Plan

Plan Description. Pearl River County, Mississippi, is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the County. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided. For the cost-sharing plan, 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 annual retirement allowance payable monthly for life in an amount equal to 2.00% 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 2.50% 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefits are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

Contributions. Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended September 30, 2015, member employees were required to contribute 9.00 percent of their annual pay, while the County's required contribution rate was 15.75 percent of annual covered payroll. The County's employer contributions to PERS for the year ended September 30, 2015, 2014, and 2013 were \$1,355,373, \$1,319,695, and \$1,155,871, respectively, which equaled the required contributions for each year.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

XIII. Pension Plan Obligations. (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, Pearl River County reported a liability of \$21,186,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Pearl River County's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2015, relative to the total employer contributions of participating employers to PERS. At June 30, 2015, the Pearl River County's proportion was .137055 percent which was an increase of .001 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, Pearl River County recognized pension expense of \$2,547,512. At September 30, 2015, Pearl River County reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|--|--------------------------------------|
| Different between expected and actual experience | \$ 326,040 |
| Net difference between projected and actual earnings on pension plan investments, net of 2014 inflows | 1,239,608 |
| Changes of Assumptions | 1,825,102 |
| Changes in the proportion and differences between the County's contributions and proportionate share of contributions | 61,220 |
| Contributions subsequent to the measurement date | 310,851 |
| | <u>\$ 3,762,821</u> |

For the year ended September 30, 2015, reported \$310,851 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, 2016. 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> | |
|---------------------------------|---------------------|
| 2016 | \$ 1,123,271 |
| 2017 | 1,123,271 |
| 2018 | 895,527 |
| 2019 | 309,901 |
| 2020 | - |
| | <u>\$ 3,451,970</u> |

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

XIII. Pension Plan Obligations. (Continued)

Actuarial Assumptions The total pension liability used in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.00% |
| Salary increases | 3.75%-19.00%, including inflation |
| Investment rate of return | 7.75%, net of position 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 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

| Asset Class | Target Allocation Percentage | Long-term Expected Real Rate of Return |
|-------------------------|------------------------------------|--|
| U. S. Broad | 34.00 % | 5.20 % |
| International equity | 19.00 | 5.00 |
| Emerging markets equity | 8.00 | 5.45 |
| Fixed income | 20.00 | .25 |
| Real assets | 10.00 | 4.00 |
| Private equity | 8.00 | 6.15 |
| Cash | 1.00 | (.50) |
| | <u>100.00 %</u> | |

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

XIII. Pension Plan Obligations. (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (15.75%). 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 Pearl River 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%. The County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% higher and 1% lower 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 | \$ 27,925,089 | \$ 21,186,000 | \$ 15,593,816 |

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

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 January 22, 2018, (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.

PEARL RIVER COUNTY, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

XIV. Subsequent Events. (Continued)

The County approved the purchase and financing of several pieces of equipment and vehicles included in the following list. Also included in the listing below are the principal purchase price and the issue date.

| | | |
|--|------------|---------------|
| • One new 2016 Ford Explorer | 3/15/2016 | \$ 23,789.00 |
| • Five new 2016 Ford F-150 | 3/15/2016 | \$ 134,250.00 |
| • One new 2016 Ford F-150 | 3/15/2016 | \$ 26,850.00 |
| • One new Dodge Durango | 5/18/2016 | \$ 25,543.00 |
| • Five new Western Star dump trucks | 7/5/2016 | \$ 597,605.00 |
| • One new Ford F-150 truck | 7/14/2016 | \$ 28,210.00 |
| • One new Avaya telephone system | 11/10/2016 | \$ 286,221.96 |
| • Four new John Deere 75G excavators | 12/13/2016 | \$ 444,800.00 |
| • Five Ford Taurus police vehicles | 12/15/2016 | \$ 134,435.00 |
| • One new 2017 Dodge Grand Caravan | 2/10/2017 | \$ 22,545.00 |
| • Three new 2017 Ford Taurus Enforcer sedans | 3/15/2017 | \$ 80,661.00 |
| • One Live Scan system | 3/15/2017 | \$ 19,960.00 |
| • One new 2017 Ford transit van | 4/10/2017 | \$ 31,802.00 |
| • One new Ford F-150 truck | 6/21/2017 | \$ 25,816.00 |

XV. 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.

The County approved the adoption and implementation of the Tax Increment Financing Plan on College Square Retail Center. The Tax Increment Financing is not to exceed two million dollars and no more than a seven percent interest rate for fifteen years.

REQUIRED SUPPLEMENTARY INFORMATION

PEARL RIVER COUNTY, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2015

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 11,165,000 | \$ 11,849,443 | \$ 11,849,443 | \$ - |
| Licenses, commissions and other revenue | 838,000 | 895,125 | 895,125 | - |
| Fines and forfeitures | 975,000 | 742,782 | 742,782 | - |
| Special assessments | 975,000 | 29,732 | 29,732 | - |
| Intergovernmental revenues | 1,221,000 | 1,499,819 | 1,499,819 | - |
| Charges for services | 1,425,000 | 1,238,688 | 1,238,688 | - |
| Interest income | 15,200 | 19,598 | 19,598 | - |
| Miscellaneous revenues | 755,000 | 1,043,862 | 1,043,862 | - |
| Total Revenues | <u>17,369,200</u> | <u>17,319,049</u> | <u>17,319,049</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 7,173,340 | 7,182,167 | 7,182,167 | - |
| Public safety | 6,402,800 | 6,838,307 | 6,838,004 | 303 |
| Public works | 213,000 | 186,588 | 186,588 | - |
| Health and welfare | 364,000 | 403,009 | 403,009 | - |
| Culture and recreation | 345,000 | 335,004 | 335,004 | - |
| Education | 160,000 | 213,678 | 213,678 | - |
| Conservation of natural resources | 211,478 | 221,873 | 221,873 | - |
| Economic development and assistance | 256,000 | 214,538 | 214,538 | - |
| Debt service: | | | | |
| Principal | 52,000 | 52,176 | 52,176 | - |
| Interest | - | 12,119 | 12,119 | - |
| Total Expenditures | <u>15,177,618</u> | <u>15,659,459</u> | <u>15,659,156</u> | <u>303</u> |
| Excess of Revenues over Expenditures | <u>2,191,582</u> | <u>1,659,590</u> | <u>1,659,893</u> | <u>303</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 115,574 | 115,574 | |
| Transfers out | (1,250,000) | (1,531,501) | (1,531,501) | - |
| Total Other Financing Sources and Uses | <u>(1,250,000)</u> | <u>(1,415,927)</u> | <u>(1,415,927)</u> | <u>-</u> |
| Net Change in Fund Balances | 941,582 | 243,663 | 243,966 | 303 |
| Fund Balances - Beginning | 3,646,275 | 7,858,837 | 6,255,330 | (1,603,507) |
| Fund Balances - Ending | <u>\$ 4,587,857</u> | <u>\$ 8,102,500</u> | <u>\$ 6,499,296</u> | <u>\$ (1,603,204)</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, 2015

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,396,000 | \$ 1,490,095 | \$ 1,490,095 | \$ - |
| Road and bridge privilege taxes | 700,000 | 803,234 | 803,234 | - |
| Intergovernmental revenues | 1,140,000 | 1,022,409 | 1,022,409 | - |
| Charges for services | 75,000 | 29,153 | 29,153 | - |
| Interest income | 2,000 | 2,303 | 2,303 | - |
| Miscellaneous revenues | 15,000 | 228,929 | 228,929 | - |
| Total Revenues | <u>3,328,000</u> | <u>3,576,123</u> | <u>3,576,123</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 2,967,300 | 2,826,076 | 2,826,076 | - |
| Debt Service: | | | | |
| Principal | 540,000 | 540,000 | 540,000 | - |
| Interest | 32,000 | 30,710 | 30,710 | - |
| Total Expenditures | <u>3,539,300</u> | <u>3,396,786</u> | <u>3,396,786</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>(211,300)</u> | <u>179,337</u> | <u>179,337</u> | <u>-</u> |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers in | - | 60,536 | 60,536 | - |
| Total Other Financing Sources and Uses | <u>-</u> | <u>60,536</u> | <u>60,536</u> | <u>-</u> |
| Net Change in Fund Balance | <u>(211,300)</u> | <u>239,873</u> | <u>239,873</u> | <u>-</u> |
| Fund Balances - Beginning | <u>(1,396,580)</u> | <u>1,965,006</u> | <u>1,710,876</u> | <u>(254,130)</u> |
| Fund Balances - Ending | <u>\$ (1,607,880)</u> | <u>\$ 2,204,879</u> | <u>\$ 1,950,749</u> | <u>\$ (254,130)</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
Last 10 Fiscal Years*
For the Years Ended September 30, 2015

| | <u>2015</u> |
|---|---------------|
| County's proportion of the net pension liability (asset) | 0.137055% |
| County's proportionate share of the net pension liability (asset) | \$ 21,186,000 |
| County's covered-employee payroll | \$ 8,605,542 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 246.19% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.70% |

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented 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
Last 10 Fiscal Years*
For the Years Ended September 30, 2015

| | <u>2015</u> |
|--|--------------------|
| Contractually required contribution | \$ 1,355,373 |
| Contributions in relation to the contractually required contributions | <u>(1,355,373)</u> |
| Contribution deficiency (excess) | <u><u>\$ -</u></u> |
| County's covered-employee payroll | 8,605,542 |
| Contributions as a percentage of covered-employee payroll | 15.75% |

* The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 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, 2015

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:

| | <u>General Fund</u> | <u>Countywide Road Fund</u> |
|--|---------------------|---------------------------------|
| Budget (Cash Basis) | \$ 243,966 | \$ 239,873 |
| Increase (Decrease) | | |
| Net adjustments for revenue accruals | 1,233 | (267) |
| Net adjustments for expenditure accruals | 77,245 | 235,443 |
| GAAP Basis | <u>\$ 322,444</u> | <u>\$ 475,049</u> |

PEARL RIVER COUNTY, MISSISSIPPI
Notes to Required Supplementary Information- UNAUDITED
For the Year Ended September 30, 2015

Pension Schedules

A. Changes in assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuity Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 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. In 2015, assumed rates of salary increase were also adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015
Page 1

| <u>Federal Grantor/Pass-through Grantor/ Program Title or Cluster</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| <u>Department of Defense/Corp of Engineers</u> | | | |
| Mississippi Environmental Infrastructure* | 12.124 | 1715C343 | <u>\$ 545,099</u> |
| <u>U.S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority</u> | | | |
| Community development block grants/state's program | 14.228 | 1127-10-055-PF-01 | <u>65,422</u> |
| <u>U.S. Department of Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety</u> | | | |
| Crime victim assistance | 16.575 | 13VA1551 | 48,656 |
| Crime victim assistance | 16.575 | 14VA1551 | <u>16,712</u> |
| Subtotal | | | <u>65,368</u> |
| Violence against women formula grants | 16.588 | 13SL1551 | 23,389 |
| Violence against women formula grants | 16.588 | 14SL1551 | <u>5,986</u> |
| Subtotal | | | <u>29,375</u> |
| Public Safety Partnership and Community Policing Grants | 16.710 | 13LB1551 | 3,964 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 13LB1552 | <u>8,978</u> |
| Subtotal | | | <u>12,942</u> |
| Total U.S. Department of Office of Justice | | | <u>107,685</u> |

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015
Page 2

| <u>Federal Grantor/Pass-through Grantor/ Program Title or Cluster</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| <u>U.S. Department of Transportation-Federal Highway</u> | | | |
| Administration/Passed-through the Mississippi Department of Transportation | | | |
| Highway planning and construction* | 20.205 | DECD-0055(28)BO | 184,719 |
| Highway planning and construction* | 20.205 | MS-139-055-1-B | 255,185 |
| Highway planning and construction* | 20.205 | MS-218-055-1-B | 83,180 |
| Subtotal | | | <u>523,084</u> |
| Passed-through the Mississippi Department of Public Safety | | | |
| State and Community Highway Safety | 20.600 | 14OP1551 | 578 |
| State and Community Highway Safety | 20.600 | 15OP1551 | 1,716 |
| Subtotal | | | <u>2,294</u> |
| Alcohol Open Container Requirements Grant | 20.607 | 14ST1551 | 42,919 |
| Alcohol Open Container Requirements Grant | 20.607 | 15MD1551 | 30,858 |
| Alcohol Open Container Requirements Grant | 20.607 | 15ST1551 | 55,289 |
| Subtotal | | | <u>129,066</u> |
| Total U. S. Department of Transportation | | | <u>654,444</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed-through Mississippi Emergency Management Agency | 97.042 | 1741 | <u>44,942</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,417,592</u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

*-denotes major program

OTHER INFORMATION

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials-Unaudited
For the Year Ended September 30, 2015

| <u>Name</u> | <u>Position</u> | <u>Bond</u> |
|---------------------|----------------------------|-------------|
| Anthony Hales | Supervisor District 1 | \$ 100,000 |
| Malcolm Perry | 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 |
| 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 |
| Charles Stockstill | 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 |
| Charlie Schielder | Road Manager | 100,000 |

**PEARL RIVER COUNTY, MISSISSIPPI
SPECIAL REPORTS**

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 22, 2018. 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 2015-001, 2015-002, and 2015-003 to be material weaknesses.

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

January 22, 2018

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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1020 Northpark Drive • Ridgeland, Mississippi 39157

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OMB CIRCULAR A-133

Members of the Board of Supervisors
Pearl River County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Pearl River County, Mississippi's compliance with types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pearl River County, Mississippi's major federal programs for the year ended September 30, 2015. The Pearl River County, Mississippi'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Pearl River County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Pearl River County, Mississippi'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 the major federal program. However, our audit does not provide a legal determination of Pearl River County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Pearl River County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

Pearl River County, Mississippi's response to the noncompliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Pearl River County, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

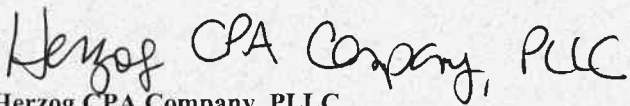
Report on Internal Control Over Compliance

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 of compliance, we considered Pearl River County, Mississippi's internal control over compliance with the types 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 OMB Circular A-133, 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 exists when the design or operation of the control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 OMB Circular A-133. 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
January 22, 2018

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, 2015. 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, 2015.

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

Herzog CPA Company, PLLC

January 22, 2018

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

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, 2015

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, 2015

Schedule 3

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|-----------------------------|------------------------|---------------|
| 1/22/2015 | Information System Software | \$14,459 | ERSI |

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

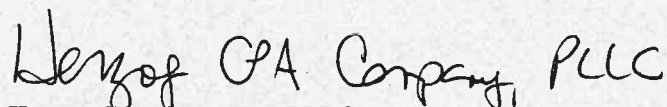
Members of the Board of Supervisors
Pearl River County, Mississippi

In planning and performing our audit of the financial statements of Pearl River County, Mississippi for the year ended September 30, 2015, 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 January 22, 2018, 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
January 22, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|--|
| 1. | Type of auditor's report issued on the financial statements: Governmental activities Aggregate discretely presented component units General Fund Countywide Road Fund Aggregate remaining fund information | Qualified Adverse Unmodified Unmodified 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:

- | | | |
|----|--|---------------|
| 4. | Internal control over major federal programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | Yes |
| 7. | Federal program identified as a major program: | |
| | a. 12.124 Mississippi Environmental Infrastructure | |
| | b. 20.205 Highway Planning and Construction | |
| 8. | Dollar threshold to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 2: Financial Statement Findings

Chancery Clerk

Material Weakness

2015-001. 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 2015 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

2015-002. 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 Questioned Costs
For the Year Ended September 30, 2015

Section 2: Financial Statement Findings (continued)

Inventory Control Clerk

Material Weakness

2015-003. 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.

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 3: Federal Awards Findings and Questioned Costs

2015-004. Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Finding

Program: CFDA 16.575- Crime Victim Assistance, 16.588-Violence Against Women Formula Grants, 16.710-Public Safety Partnership and Community Policing Grants, 20.600-State and Community Highway Safety and 20.607-Alcohol Open Container Requirements Grants passed through Mississippi Department of Public Safety.

Financial reporting requirements are not adequately addressed in grant administration policies and procedures. The Sheriff's Department maintains no comprehensive schedule of its Federal awards or status thereof in order to assure completeness of the SEFA. Further, the County's general ledger and organizational structure do not facilitate determination or reconciliation of Federal expenditures apart from non-federal expenditures.

The Sheriff's Department does not contemporaneously maintain a comprehensive Schedule of Federal Awards or activity therein, throughout the fiscal year. Further, the Sheriff's Department does not effectively coordinate its grant program delivery, compliance management, and financial reporting activities into a cooperative and cohesive grant administration process. Federal awards are administered in various departments with no cohesive oversight, review, or monitoring as a whole. Although cash basis transactions are recorded in the general ledger as they occur, transaction detail does not fully segregate Federal expenditures from non-federal expenditures or identify the period in which the expenditure activity occurred. Account and fund structure are not adequate to readily distinguish and segregate federal expenditures from those pertaining to match requirements or other program costs. Therefore, federal expenditures and related costs funded by matching efforts or other sources cannot be readily determined solely from general ledger fund accounts utilized in transaction processing. Instead, manual procedures must be used to identify federal expenditures, related matching funds, and other program costs in order to compile the SEFA. Such manual procedures are time-consuming and demand personnel resources generally devoted to ongoing operations of the County. Decentralized grant administration, inconsistencies in recordkeeping among divisions and departments, and failure to appropriately capture transaction accounting dates and funding sources exacerbate the issue.

During the year ended September 30, 2015, the Sheriff's Department did not maintain grant data in a manner conducive to preparation of the SEFA. Data necessary for determining Federal portions of program expenditures and for establishing accounting period cut-off of such expenditures was not contemporaneously captured and maintained or routinely reconciled and reviewed at interim. Therefore, such data was not readily available at year-end to support the SEFA preparation process.

The County's audit package for the fiscal year ended September 30, 2015 was not timely submitted to the Federal Audit Clearinghouse.

PEARL RIVER COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 3: Federal Awards Findings and Questioned Costs (Continued)

Compliance Requirement

According to the OMB Circular A-133, Subpart B—Audits __.200 (a) non-Federal entities that expend \$500,000 or more in a year in Federal Awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of these parts. Guidance on determining Federal Awards expending is provided in __.205 and 2CFR 200.502. The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's reports, or 9 months after the end of the fiscal year - whichever comes first - pursuant to OMB Circular A-133 __.320(a).

Questioned Costs:

Undetermined

Recommendation

The Sheriff's Office should be required to submit monthly grant reports to the Board of Supervisors, and the reports should be included in the minutes.

Response

All monthly activity and financial reports for every Sheriff's department grant will be submitted to the Board of Supervisors each month. This will ensure the reports for each previous month will be recorded in the Board minutes to produce a permanent record for posterity.

SANDY KANE SMITH
President, District Five
HUDSON HOLLIDAY
Vice-President, District Three
DONALD HART
District One



MALCOLM PERRY
District Two
FARRON MOELLER
District Four
MELINDA BOWMAN
Clerk of Board

BOARD OF SUPERVISORS
PEARL RIVER COUNTY
P.O. BOX 569
POPLARVILLE, MS 39470
(601) 403-2300
(601) 403-2309 Fax
ADRAIN LUMPKIN, JR.
County Administrator

AUDITEE'S CORRECTIVE ACTION PLAN
September 30, 2015

January 19, 2018

Pearl River County Board of Supervisors
200 South Main Street
Poplarville, MS 39470

Honorable Board Members:

I have been made aware of deficiencies within the Sheriff's department pertaining to accurate record keeping regarding grant reporting. In order to rectify these deficiencies, the following procedure has been implemented:

All monthly activity and financial reports for every Sheriff's department grant will be submitted to the Board of Supervisors each month. This will ensure the reports for each previous month will be recorded in the Board minutes to produce a permanent record for posterity.

Thank you for your assistance and patience in this matter.

Sincerely,

Sheriff David Allison