

PEARL RIVER COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2021

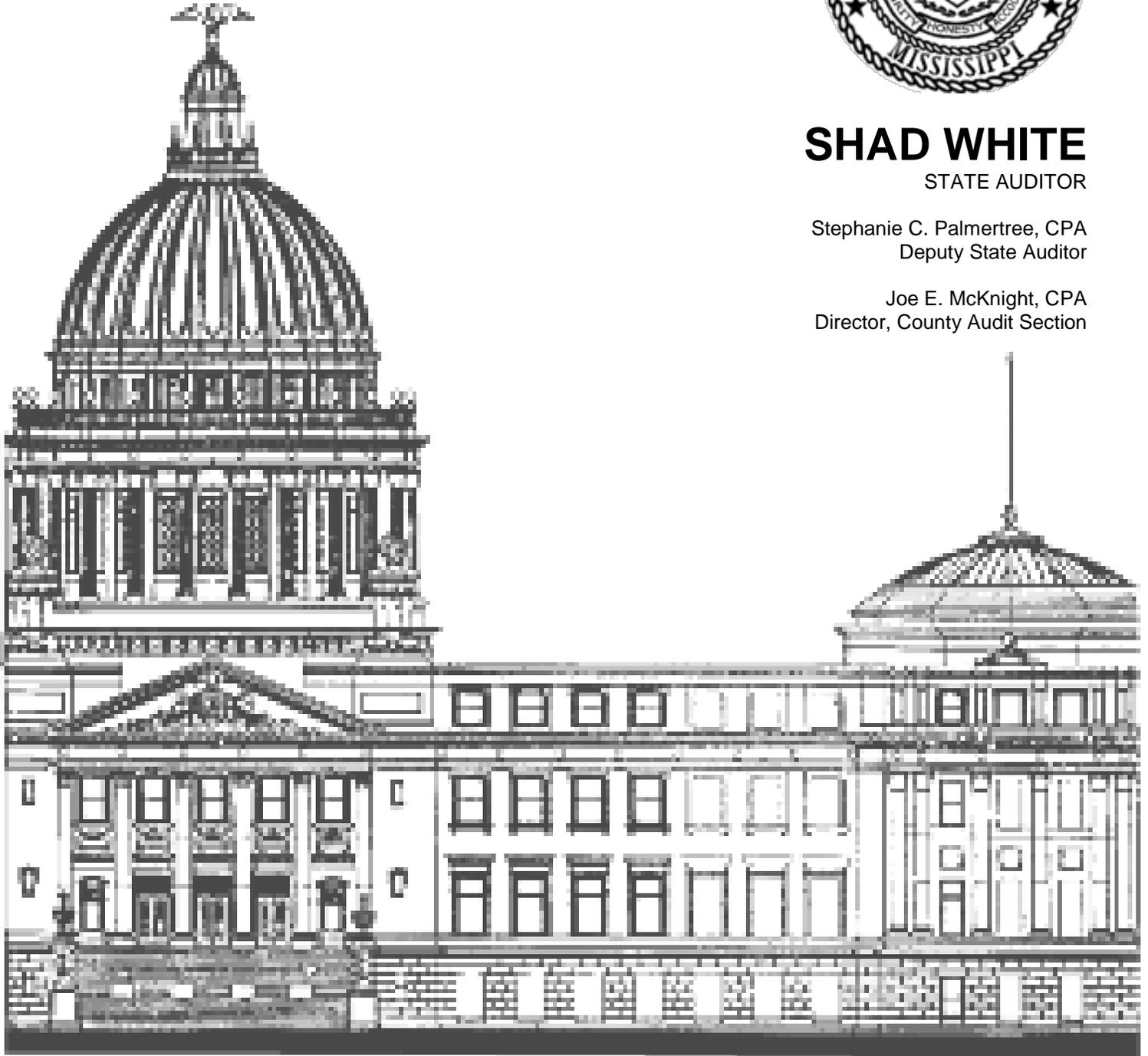


SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA
Deputy State Auditor

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

June 28, 2023

Members of the Board of Supervisors
Pearl River County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2021 financial and compliance audit report for Pearl River County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Pearl River County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Pearl River County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a faint, circular watermark or background.

Shad White

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

FINANCIAL SECTION

PEARL RIVER COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

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, (the County) as of and for the year ended September 30, 2021, 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.

Auditor's 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 auditor's 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 has not been determined.

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, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl River County, Mississippi, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions 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 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.

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 June 28, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pearl River County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearl River County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 28, 2023

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

FINANCIAL STATEMENTS

PEARL RIVER COUNTY

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PEARL RIVER COUNTY
Statement of Net Position
September 30, 2021

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 34,700,392
Restricted assets - investments	3,092,512
Property tax receivable	18,537,500
Fines receivable (net of allowance for uncollectibles of \$3,411,183)	1,504,555
Intergovernmental receivables	500,374
Other receivables	50,131
Capital assets:	
Land and construction in progress	2,201,475
Other capital assets, net	93,400,180
Total Assets	<u>153,987,119</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,544,629
Total Deferred Outflows of Resources	<u>3,544,629</u>
LIABILITIES	
Claims payable	1,087,586
Intergovernmental payables	842,231
Accrued interest payable	171,495
Unearned revenue	5,253,628
Other payables	100,840
Long-term liabilities	
Due within one year:	
Capital debt	3,020,801
Due in more than one year:	
Capital debt	27,880,586
Non-capital debt	2,110,913
Net pension liability	22,312,104
Total Liabilities	<u>62,780,184</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	6,829,513
Deferred revenues - property taxes	18,537,500
Total Deferred Inflows of Resources	<u>25,367,013</u>
NET POSITION	
Net investment in capital assets	64,700,268
Restricted for:	
Expendable:	
General government	3,621,576
Public safety	601,846
Public works	11,822,259
Health and welfare	4,684,468
Culture and recreation	216,264
Debt service	186,637
Unrestricted	(16,448,767)
Total Net Position	<u>\$ 69,384,551</u>

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

PEARL RIVER COUNTY
Statement of Activities
For the Year Ended September 30, 2021

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	\$ 9,725,454	1,953,089	605,208	199,999	(6,967,158)
Public safety	9,044,483	1,964,867	190,240	50,000	(6,839,376)
Public works	8,170,160		2,212,686	505,364	(5,452,110)
Health and welfare	547,965		116,073		(431,892)
Culture and recreation	460,182				(460,182)
Education	237,341				(237,341)
Conservation of natural resources	225,206				(225,206)
Economic development and assistance	289,695				(289,695)
Interest on long-term debt	835,697				(835,697)
Bond issue costs	806,240				(806,240)
Pension expense	2,308,674				(2,308,674)
Total Governmental Activities	\$ 32,651,097	3,917,956	3,124,207	755,363	(24,853,571)
General revenues:					
Property taxes				\$ 19,290,012	
Road & bridge privilege taxes				844,248	
Grants and contributions not restricted to specific programs				911,789	
Unrestricted interest income				201,603	
Miscellaneous				3,357,859	
Total General Revenues				24,605,511	
Changes in Net Position				(248,060)	
Net Position - Beginning, as previously reported				68,979,929	
Fund reclassification				616,888	
Prior period adjustment				35,794	
Net Position - Beginning, as restated				69,632,611	
Net Position - Ending				\$ 69,384,551	

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

PEARL RIVER COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2021

Exhibit 3

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Fund	COVID Recovery Fund	Road Bond Fund	Courthouse Annex Bond Fund		
ASSETS							
Cash	\$ 10,813,278	1,432,370	5,394,633	8,725,192		8,334,919	34,700,392
Restricted assets - investments				4,850		3,087,662	3,092,512
Property tax receivable	13,063,000	1,732,000				3,742,500	18,537,500
Fines receivable (net of allowance for uncollectibles of \$3,411,183)	1,504,555						1,504,555
Intergovernmental receivables	452,207					48,167	500,374
Other receivables	50,131						50,131
Due from other funds	29,159	99,426				47,382	175,967
Advances to other funds		161,885				21,101	182,986
Total Assets	\$ 25,912,330	3,425,681	5,394,633	8,730,042	0	15,281,731	58,744,417
LIABILITIES							
Liabilities:							
Claims payable	\$ 317,331	183,218	139,883	360,820		86,334	1,087,586
Intergovernmental payables	809,758						809,758
Due to other funds	179,281					29,159	208,440
Advances from other funds	182,986						182,986
Unearned revenue			5,253,628				5,253,628
Other payables	100,840						100,840
Total Liabilities	1,590,196	183,218	5,393,511	360,820	0	115,493	7,643,238
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue - property taxes	13,063,000	1,732,000				3,742,500	18,537,500
Unavailable revenue - fines	1,504,555						1,504,555
Total Deferred Inflows of Resources	14,567,555	1,732,000	0	0	0	3,742,500	20,042,055

PEARL RIVER COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2021

Exhibit 3- Cont'd

	Major Funds						
	General Fund	Countywide Road Fund	COVID Recovery Fund	Road Bond Fund	Courthouse Annex Bond Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:							
Restricted for:							
General government			1,122			3,620,454	3,621,576
Public safety						601,846	601,846
Public works		1,510,463		8,369,222		1,942,574	11,822,259
Health and welfare						4,684,468	4,684,468
Culture and recreation						216,264	216,264
Debt service						358,132	358,132
Unassigned	9,754,579						9,754,579
Total Fund Balances	<u>9,754,579</u>	<u>1,510,463</u>	<u>1,122</u>	<u>8,369,222</u>	<u>0</u>	<u>11,423,738</u>	<u>31,059,124</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,912,330</u>	<u>3,425,681</u>	<u>5,394,633</u>	<u>8,730,042</u>	<u>0</u>	<u>15,281,731</u>	<u>58,744,417</u>

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

PEARL RIVER COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2021Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 31,059,124
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 \$110,947,448.	95,601,655
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,504,555
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(33,012,300)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(22,312,104)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(171,495)
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	3,544,629
Deferred inflows of resources related to pensions	<u>(6,829,513)</u>
Total Net Position - Governmental Activities	\$ <u>69,384,551</u>

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

PEARL RIVER COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2021

Exhibit 4

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Fund	COVID Recovery Fund	Road Bond Fund	Courthouse Annex Bond Fund		
REVENUES							
Property taxes	\$ 14,532,413	1,824,354				2,933,245	19,290,012
Road and bridge privilege taxes		844,248					844,248
Licenses, commissions and other revenue	1,155,964					306,047	1,462,011
Fines and forfeitures	662,628					12,165	674,793
Intergovernmental revenues	1,604,491	1,637,049	139,883			1,409,936	4,791,359
Charges for services	1,076,297					570,047	1,646,344
Interest income	146,289	7,597	1,122	6,657		39,938	201,603
Miscellaneous revenues	1,312,154	60,401				1,985,304	3,357,859
Total Revenues	20,490,236	4,373,649	141,005	6,657	0	7,256,682	32,268,229
EXPENDITURES							
Current:							
General government	9,226,323		139,883			1,076,623	10,442,829
Public safety	7,943,262					2,069,286	10,012,548
Public works	187,716	3,858,816		1,214,981		2,803,737	8,065,250
Health and welfare	548,250						548,250
Culture and recreation	427,333					33,081	460,414
Education	237,341						237,341
Conservation of natural resources	157,847					67,359	225,206
Economic development and assistance	336,016						336,016
Debt service:							
Principal	281,405	400,000			11,044,000	1,545,212	13,270,617
Interest	20,990	50,000			230,196	421,996	723,182
Bond issue costs				302,543	388,494	115,203	806,240
Total Expenditures	19,366,483	4,308,816	139,883	1,517,524	11,662,690	8,132,497	45,127,893
Excess of Revenues over (under) Expenditures	1,123,753	64,833	1,122	(1,510,867)	(11,662,690)	(875,815)	(12,859,664)

PEARL RIVER COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2021

	Major Funds						Total Governmental Funds
	General Fund	Countywide Road Fund	COVID Recovery Fund	Road Bond Fund	Courthouse Annex Bond Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	639,743			9,000,000	11,464,000	4,354,180	25,457,923
Proceeds from sale of capital assets	23,310	73,800					97,110
Transfers in					198,690	926,409	1,125,099
Transfers out	(1,125,099)						(1,125,099)
Total Other Financing Sources and Uses	<u>(462,046)</u>	<u>73,800</u>	<u>0</u>	<u>9,000,000</u>	<u>11,662,690</u>	<u>5,280,589</u>	<u>25,555,033</u>
Net Changes in Fund Balances	<u>661,707</u>	<u>138,633</u>	<u>1,122</u>	<u>7,489,133</u>	<u>0</u>	<u>4,404,774</u>	<u>12,695,369</u>
Fund Balances - Beginning, as previously reported	8,475,984	1,371,830	0	880,089	0	7,018,964	17,746,867
Fund reclassification	616,888						616,888
Fund Balances - Beginning, as restated	<u>9,092,872</u>	<u>1,371,830</u>	<u>0</u>	<u>880,089</u>	<u>0</u>	<u>7,018,964</u>	<u>18,363,755</u>
Fund Balances - Ending	<u>\$ 9,754,579</u>	<u>1,510,463</u>	<u>1,122</u>	<u>8,369,222</u>	<u>0</u>	<u>11,423,738</u>	<u>31,059,124</u>

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

PEARL RIVER COUNTY

Exhibit 4-1

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, 2021

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 12,695,369
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 that capital outlays of \$3,103,755 exceeded depreciation of \$2,893,321 in the current period.	210,434
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 \$60,197 and the proceeds from the sale of \$97,110 in the current period.	(157,307)
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.	134,808
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 change in fund balances by the amount that debt proceeds of \$25,457,923 exceeded debt repayments of \$13,270,617.	(12,187,306)
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 compensated absences liability.	(287,853)
The amount of increase in accrued interest payable.	(117,689)
The amortization of bond premiums.	6,470
The amortization of bond discounts.	(1,296)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(2,308,674)
Recording of contributions made during the year	<u>1,764,984</u>
Change in Net Position of Governmental Activities	\$ <u><u>(248,060)</u></u>

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

PEARL RIVER COUNTY
Statement of Fiduciary Net Position
September 30, 2021

Exhibit 5

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 500,104
Receivables:	
Due from other funds	<u>32,473</u>
Total Assets	<u><u>532,577</u></u>
LIABILITIES	
Intergovernmental payables	<u>56,443</u>
Total Liabilities	<u><u>56,443</u></u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	<u>476,134</u>
Total Net Position	<u><u>\$ 476,134</u></u>

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

PEARL RIVER COUNTY
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2021

Exhibit 6

	<u>Custodial Funds</u>
ADDITIONS	
Tax collections for other governments	\$ 443,526
Other taxes and fees collected for other governments	11,649
Grants received for other governments	<u>276,455</u>
Total Additions	<u>731,630</u>
DEDUCTIONS	
Payments of tax to other governments	443,528
Payments of grants to other governments	<u>276,455</u>
Total Deductions	<u>719,983</u>
Net increase (decrease) in fiduciary net position	11,647
Net Position - Beginning	<u>464,487</u>
Net Position - Ending	<u>\$ 476,134</u>

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

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Pearl River County, Mississippi (the 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 of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Carriere Fire District
- Crossroads Fire District
- Henleyfield Fire District
- McNeil Fire District
- Nicholson Fire District
- Derby/Whitesand Fire District
- North Central Fire District
- Steephollow Fire District
- Pearl River County Hospital
- Pearl River Economic Development 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. 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. 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.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary 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.

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 60 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.

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.

COVID Recovery Fund – This fund is used to account for monies from the American Rescue Plan Act of 2021 (ARPA) that are considered restricted in nature.

Road Bond Fund – This fund accounts for the proceeds of a bond issue to be used to repair and construct roads and bridges.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Courthouse Annex Bond Fund – This fund accounts for the proceeds of a refunding bond to be used for the construction of the County's courthouse annex building.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

D. 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.

E. 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, and 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.

F. Receivables.

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

G. 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 nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

H. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trust 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 monies available, all expenses of the developer or the County (not otherwise paid or provided for out of 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 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.

I. Capital Assets.

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

J. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Deferred revenues – property taxes/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 the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 12 for additional details.

K. 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.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts 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.

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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

M. 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 absence liability payable only if the payable has matured, for example, an employee resigns or retires.

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, construction or improvement of those assets.

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

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

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, 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.

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.

Governmental fund balance is classified as restricted 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 by an external party or imposed by law through either a constitutional provision or enabling legislation.

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.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

Fund Balance Flow Assumption:

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

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 collectability 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. Changes in Accounting Standards.

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

(2) Fund Reclassification (Accounting Change).

Effective October 1, 2020, and in accordance with the implementation of GASB Statement No. 84, the Payroll Clearing Fund, previously reported as a Fiduciary Fund, was reclassified and reported in the General Fund. Therefore, the County has adjusted beginning fund balance/net position for the General Fund and Governmental Activities in the amount of \$616,888.

For the Fiduciary Fund Custodial Activities, the County has treated the beginning of year net position of \$464,487 as having been recognized in the period incurred. The County has adjusted beginning net position for their fiduciary activities from \$0 to \$464,487.

(3) Prior Period Adjustment.

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

Exhibit 2 – Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ <u>35,794</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2021, was \$35,200,496, and the bank balance was \$35,629,957. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by *Section 27-105-5, Mississippi Code of 1972 Annotated*. 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. 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). 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.

Investments:

As provided in *Section 91-13-8, Mississippi Code of 1972 Annotated*, the following investments of the County are handled through a trust indenture between the County and the trustee related to Pearl River County courthouse annex building project, County road maintenance, and the Pearl River County Hospital and Nursing Home.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Investments balances at September 30, 2021, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value Level</u>	<u>Fair Value</u>	<u>Rating</u>
Goldman Sachs Financial Square Government Money Market Fund	Less than one year	1	\$ 542	AAA
Goldman Sachs Financial Square Treasury Obligation Money Market Fund	Less than one year	1	225,054	N/A
US Treasury State and Local Government 0.02% 1/1/2022	Less than one year	1	55,609	N/A
US Treasury State and Local Government 0.03% 7/1/2022	Less than one year	1	<u>2,811,307</u>	N/A
Total			<u>\$ 3,092,512</u>	

The investment in the Goldman Sachs Financial Square Government Money Market Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

The County categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs include U.S. government and agency securities, foreign government debt, listed equities and money market securities.

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, *Section 19-9-29, Mississippi Code of 1972 Annotated* limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by *Sections 19-9-29 and 91-13-8, Mississippi Code of 1972 Annotated*. The County does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

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

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. All of the County's investments are in the Goldman Sachs Financial Square Government Money Market Fund and U.S. Treasury State and Local Government securities and are reported in the Road Bond Fund, Courthouse Annex Building Fund and the Hospital Support Fund.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2021:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 29,159
Countywide Road Fund	General Fund	99,426
Other Governmental Funds	General Fund	47,382
Custodial Funds	General Fund	<u>32,473</u>
Total		<u>\$ 208,440</u>

The receivables represent the tax revenue collected in September, 2021, but not settled until October, 2021. 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	\$ 161,885
Other Governmental Funds	General Fund	<u>21,101</u>
Total		<u>\$ 182,986</u>

The purpose of the advances was to reclassify road and bridge privilege taxes and E911 service revenues that were improperly recorded in the General Fund in the prior years.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Courthouse Annex Bond Fund	General Fund	\$ 198,690
Other Governmental Funds	General Fund	<u>926,409</u>
Total		<u>\$ 1,125,099</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

Notes to Financial Statements
For the Year Ended September 30, 2021

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2021, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 387,806
Reimbursement for housing prisoners	15,960
Emergency management performance grant reimbursement	45,542
Victims of crime act grant reimbursement	44,507
Various reimbursement grants	6,559
	<hr/>
Total Governmental Activities	\$ <u>500,374</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2021:

Governmental activities:

	Balance Oct. 1, 2020	Additions	Deletions	Adjustments*	Balance Sept. 30, 2021
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,728,430	248,000			1,976,430
Construction in progress	34,151	577,770		(386,876)	225,045
					<hr/>
Total non-depreciable capital assets	1,762,581	825,770	0	(386,876)	2,201,475
<u>Depreciable capital assets:</u>					
Infrastructure	153,038,872			386,876	153,425,748
Buildings	37,074,328				37,074,328
Improvements other than buildings	26,931				26,931
Mobile equipment	5,231,489	488,579	322,566	1,077,753	6,475,255
Furniture and equipment	3,745,395	129,283	22,150		3,852,528
Leased property under capital leases	2,910,468	1,660,123		(1,077,753)	3,492,838
					<hr/>
Total depreciable capital assets	202,027,483	2,277,985	344,716	386,876	204,347,628
<u>Less accumulated depreciation for:</u>					
Infrastructure	92,100,808	1,072,456			93,173,264
Buildings	7,695,127	721,976			8,417,103
Improvements other than buildings	14,014	1,078			15,092
Mobile equipment	4,079,627	237,107	166,561	881,087	5,031,260
Furniture and equipment	2,909,954	153,382	20,848		3,042,488
Leased property under capital leases	1,477,800	707,322		(916,881)	1,268,241
					<hr/>
Total accumulated depreciation	108,277,330	2,893,321	187,409	(35,794)	110,947,448
					<hr/>
Total depreciable capital assets, net	93,750,153	(615,336)	157,307	422,670	93,400,180
					<hr/>
Governmental activities capital assets, net	\$ <u>95,512,734</u>	<u>210,434</u>	<u>157,307</u>	<u>35,794</u>	<u>95,601,655</u>

*Adjustments are for the reclassification of completed construction in progress and paid-off capital leases to mobile equipment. Other adjustments were made to correct prior year errors in capital assets.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 604,790
Public safety	945,750
Public works	1,338,504
Culture and recreation	1,758
Economic development and assistance	<u>2,519</u>
 Total governmental activities depreciation expense	 \$ <u><u>2,893,321</u></u>

Commitments with respect to unfinished capital projects at September 30, 2021, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Board of Supervisors' building	\$ 105,611	November, 2021
Renovations of old courthouse	1,859,659	August, 2023

(8) 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, 2021, to January 1, 2022. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

On January 31, 2020, Pearl River County entered into a lease agreement with the Forrest County Board of Supervisors and Forrest County General Hospital. Pearl River County leased the premises of Pearl River County Hospital for the purpose of operating health care facilities including a Hospital, Nursing Home and the Pearl River Family Clinic.

The lease term commenced on February 1, 2020 and will continue for twelve consecutive years, expiring on January 31, 2032. The annual rental payment shall be \$700,000 payable in twelve equal installments in advance on the first day of each month for the month's rental. The monthly rental payments are intended to assist the County in making timely payments on the Hospital Improvement, Series 2021, Limited Obligation Bonds.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

The Lessee, upon commencement of the lease, shall make a prepaid rent payment of \$5,500,000. The payment was intended to assist the Lessor in paying off, satisfying and eliminating liabilities and debts related to the leased property.

The lease contains two options to renew for an additional and consecutive ten years each, for a total of twenty years after the initial term. The Lessee shall give written notice to Lessor as to whether the Lessee will exercise its option to renew and extend the lease at least one hundred eighty days prior to the expiration of the initial lease term. The annual rental payments during renewal terms shall be \$1,200,000 payable in twelve equal installments in advance of the first day of the month for the month's rental.

The County received income from property leased under a non-cancellable operating lease. Total income from such lease was \$700,000 for the year ended September 30, 2021. The future minimum lease receivable for this lease is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2022	\$ 700,000
2023	700,000
2024	700,000
2025	700,000
2026	700,000
2027 - 2031	3,500,000
2032 - 2036	<u>233,333</u>
Total Minimum Payments Required	<u>\$ 7,233,333</u>

As Lessee:

On July 1, 2020, Pearl River County entered into a non-cancellable operating lease agreement with Northridge Real Estate, LLC for the purpose of leasing a building for county offices. The operating lease stipulated that the Lessee would pay \$850 per month in rental payments commencing July 1, 2020 for a term of five years.

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$10,200 for the year ended September 30, 2021. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2022	\$ 10,200
2023	10,200
2024	10,200
2025	<u>7,650</u>
Total Minimum Payments Required	<u>\$ 38,250</u>

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

<u>Classes of Property</u>		<u>Governmental Activities</u>
Mobile equipment	\$	1,729,275
Furniture and equipment		<u>1,763,563</u>
Total		3,492,838
Less: Accumulated depreciation		<u>(1,268,241)</u>
Leased Property Under Capital Leases	\$	<u><u>2,224,597</u></u>

The following is a schedule by years of the total payments due as of September 30, 2021:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 608,838	57,829
2023	792,733	35,595
2024	492,018	19,262
2025	390,903	8,465
2026	<u>145,319</u>	<u>1,103</u>
Total	<u>\$ 2,429,811</u>	<u>122,254</u>

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

(11) Long-term Debt.

Debt outstanding as of September 30, 2021, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General Obligation Refunding Bonds, Series 2011	\$ 648,205	3.625-4.625%	04/2022
General Obligation Refunding Bonds, Series 2021	11,464,000	3.25%	11/2040
General Obligation Bond 2021, Road Projects	<u>9,000,000</u>	1.48%	07/2031
Total General Obligation Bonds	<u>\$ 21,112,205</u>		
B. Limited Obligation Bonds:			
Hospital Improvements, Series 2012	\$ 2,980,000	2.00-3.75%	07/2022
Hospital Improvements, Series 2021	<u>2,993,000</u>	0.75-1.76%	07/2032
Total Limited Obligation Bonds	<u>\$ 5,973,000</u>		
C. Capital Leases:			
(1) Avaya phone system	\$ 10,013	2.02%	11/2021
(1) Election system	154,642	3.94%	05/2024
(4) Dodge Durango	103,412	2.34%	05/2024
(1) Dodge Durango	23,694	2.34%	06/2024
(1) Next generation 911 dispatch center upgrade	396,832	2.34%	12/2025
(4) Ford F-250 trucks	98,232	2.34%	04/2025
(2) 2020 Dodge Durango police pursuit	63,133	2.41%	05/2025
(4) 2018 Dodge Ram	28,051	3.56%	09/2022
(1) Excavator	74,736	3.81%	10/2023
(1) Kubota loader	46,051	3.94%	04/2024
(1) Excavator	71,451	3.44%	12/2023
(1) Excavator	71,451	3.44%	12/2023
(1) Excavator	71,451	3.44%	12/2023
(1) Excavator	71,451	3.44%	12/2023
(1) Next generation 911 dispatch center	638,879	2.34%	12/2025
(1) 2022 Kentworth dump truck	92,919	2.59%	07/2026
(4) 2018 Backhoe loaders	238,859	2.46%	04/2026
(1) 2020 Asphalt distributor truck	<u>174,554</u>	2.48%	08/2023
Total Capital Leases	<u>\$ 2,429,811</u>		
D. Other Loans:			
Short Term Note, Series 2019	\$ 1,200,000	3.13%	04/2024
Promissory Note	141,437	5.25%	10/2029
Promissory Note	<u>50,000</u>	2.26%	10/2023
Total Other Loans	<u>\$ 1,391,437</u>		

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,503,205	473,676	476,000	47,281
2023	1,296,000	485,927	3,018,000	33,894
2024	1,324,000	458,662	259,000	32,072
2025	1,351,000	430,715	260,000	30,000
2026	1,380,000	402,089	266,000	27,712
2027 - 2031	7,354,000	1,555,519	1,399,000	89,650
2032 - 2036	3,172,000	870,839	295,000	5,192
2037 - 2041	3,732,000	311,023		
Total	\$ 21,112,205	4,988,450	5,973,000	265,801

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2022	432,758	44,698
2023	433,445	31,512
2024	424,168	20,467
2025	14,930	5,027
2026	15,733	4,224
2027 - 2031	70,403	7,965
Total	1,391,437	113,893

Legal Debt Margin – The amount of debt, excluding specific exempted debt that 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 a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2021, the amount of outstanding debt was equal to 5.22 percent of the latest property assessments.

Current Refunding - On May 27, 2021, the County issued \$11,464,000 in general obligation refunding bonds with an average interest rate of 3.25% to refund \$11,044,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Courthouse Construction Bonds, Series 2018	3.95%	\$ 11,044,000

The County refunded the above bonds to reduce its total debt service payments over the next 20 years by almost \$426,613 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$319,734.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Advance Refunding - On June 10, 2021, the County issued \$3,024,000 in limited obligation refunding bonds with an average interest rate of 1.43% to advance refund \$2,765,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Hospital Improvements, Series 2012	3.32%	\$ 2,765,000

The net proceeds of \$2,904,293 (after payment of \$119,707 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds.

The County advance refunded the above bonds to reduce its total debt service payments over the next ten years by almost \$209,962 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$196,353.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2021:

	<u>Balance Oct. 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Sept. 30, 2021</u>	<u>Amount due within one year</u>
Governmental Activities:					
Compensated absences	\$ 1,823,060	287,853		2,110,913	
General obligation bonds	12,337,205	20,464,000	11,689,000	21,112,205	1,503,205
Less:					
Discounts	(858)		(791)	(67)	
Add:					
Premiums	7,058		6,470	588	
Limited obligation bonds	3,190,000	3,024,000	241,000	5,973,000	476,000
Less:					
Discounts	(6,092)		(505)	(5,587)	
Capital leases	1,436,942	1,919,923	927,054	2,429,811	608,838
Other loans	1,755,000	50,000	413,563	1,391,437	432,758
Total	\$ 20,542,315	25,745,776	13,275,791	33,012,300	3,020,801

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

(12) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Pearl River County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

established by *Mississippi Code of 1972 Annotated Section 25-11-1 et seq.* and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2021, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2021 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2021, 2020 and 2019 were \$1,764,984, \$1,737,453 and \$1,507,276, respectively, equal to the required contributions for each year.

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

At September 30, 2021, the County reported a liability of \$22,312,104 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2021 net pension liability was 0.150957 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.002171 percent from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended September 30, 2021, the County recognized pension expense of \$2,308,674. At September 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 354,563	
Net difference between projected and actual earnings on pension plan investments		6,829,513
Changes of assumptions	1,711,963	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	996,444	
County contributions subsequent to the measurement date	<u>481,659</u>	
Total	<u>\$ 3,544,629</u>	<u>6,829,513</u>

\$481,659 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2022. 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>	<u>Amount</u>
2022	\$ (264,330)
2023	(534,791)
2024	(965,064)
2025	<u>(2,002,358)</u>
Total	<u>\$ (3,766,543)</u>

Actuarial Assumptions. The total pension liability as of June 30, 2021 was determined by an actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods in the measurement:

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

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

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

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	<u>1.00</u>	<u>(1.00)</u>
Total	<u>100.00 %</u>	

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

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
County's proportionate share of the net pension liability	\$ 31,599,171	22,312,104	14,658,823

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

(13) 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 resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

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.

(14) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$16,448,767) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$481,659 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. The \$3,062,970 balance of the deferred outflows of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next three years. The \$6,829,513 balance of the deferred inflows of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next four years.

(15) 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, Mississippi Code of 1972 Annotated*, 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 \$287,000 in fiscal year 2021. 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, Mississippi Code of 1972 Annotated*, 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 provided \$1,580 of support during fiscal year 2021. Complete financial statements can be obtained from Highway 53 South, Poplarville, MS 39470.

(16) 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 \$232,000 for support in fiscal year 2021.

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

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

authorized by federal law. The Pearl River County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants. The County appropriated \$40,000 for support of the agency in fiscal year 2021.

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 2021.

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 \$1,861,995 for maintenance and support of the college in fiscal year 2021.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Pearl River County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$48,500 for support of the district in fiscal year 2021.

(17) Tax Abatements.

As of September 30, 2021, Pearl River County provides tax exempt status to two manufacturing facilities subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for the levies involving the school, the mandatory mill and the community college tax levies. These exemptions are authorized under *Section 27-31-105, Mississippi Code of 1972 Annotated*. These exemptions encourage businesses to locate or expand operations in the County to create jobs. The amount of taxes abated during fiscal year 2021 totaled \$183,570.

(18) 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 evaluated the activity of the County through June 28, 2023, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Subsequent to September 30, 2021, the County issued the following debt obligations:

<u>Issue</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/07/2021		2.41%	\$ 97,500	Capital Lease	Ad valorem taxes
02/07/2022		2.33%	28,115	Capital Lease	Ad valorem taxes
02/07/2022		2.33%	56,230	Capital Lease	Ad valorem taxes
02/17/2022		2.24%	195,000	Capital Lease	Ad valorem taxes
02/08/2023		4.58%	289,579	Capital Lease	Ad valorem taxes
03/10/2023		5.03%	114,945	Capital Lease	Ad valorem taxes
04/20/2023		4.59%	75,259	Capital Lease	Ad valorem taxes
04/20/2023		4.49%	75,229	Capital Lease	Ad valorem taxes
05/25/2023		4.92%	176,800	Capital Lease	Ad valorem taxes

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PEARL RIVER COUNTY

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PEARL RIVER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 13,366,000	14,532,609	14,532,609	
Licenses, commissions and other revenue	929,000	1,163,749	1,163,749	
Fines and forfeitures	479,000	535,585	535,585	
Special assessments	40,000	27,550	27,550	
Intergovernmental revenues	2,313,000	2,375,516	2,375,516	
Charges for services	515,000	1,125,652	1,125,652	
Interest income	85,000	146,241	146,241	
Miscellaneous revenues	1,361,000	1,671,890	1,671,890	
Total Revenues	<u>19,088,000</u>	<u>21,578,792</u>	<u>21,578,792</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	8,574,420	9,092,303	9,092,303	
Public safety	7,514,200	7,243,459	7,243,459	
Public works	198,000	187,856	187,856	
Health and welfare	602,500	545,140	545,140	
Culture and recreation	482,000	444,252	444,252	
Education	170,000	228,153	228,153	
Conservation of natural resources	160,000	149,974	149,974	
Economic development and assistance	290,000	335,867	335,867	
Debt service:				
Principal		324,622	324,622	
Interest		20,961	20,961	
Total Expenditures	<u>17,991,120</u>	<u>18,572,587</u>	<u>18,572,587</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,096,880</u>	<u>3,006,205</u>	<u>3,006,205</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,950,000)</u>	<u>(1,215,099)</u>	<u>(1,215,099)</u>	
Total Other Financing Sources and Uses	<u>(1,950,000)</u>	<u>(1,215,099)</u>	<u>(1,215,099)</u>	<u>0</u>
Net Change in Fund Balance	(853,120)	1,791,106	1,791,106	0
Fund Balances - Beginning	<u>5,980,800</u>	<u>7,425,227</u>	<u>7,425,227</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,127,680</u>	<u>9,216,333</u>	<u>9,216,333</u>	<u>0</u>

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

PEARL RIVER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,732,000	1,824,219	1,824,219	
Road and bridge privilege taxes	750,000	970,340	970,340	
Intergovernmental revenues	1,115,000	1,476,032	1,476,032	
Charges for services	25,000	36,507	36,507	
Interest income	5,000	7,597	7,597	
Miscellaneous revenues	50,000	134,203	134,203	
Total Revenues	<u>3,677,000</u>	<u>4,448,898</u>	<u>4,448,898</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	4,072,000	4,345,662	4,345,662	
Total Expenditures	<u>4,072,000</u>	<u>4,345,662</u>	<u>4,345,662</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(395,000)</u>	<u>103,236</u>	<u>103,236</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	220,000			
Total Other Financing Sources and Uses	<u>220,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(175,000)	103,236	103,236	0
Fund Balances - Beginning	<u>1,100,000</u>	<u>1,329,134</u>	<u>1,329,134</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 925,000</u>	<u>1,432,370</u>	<u>1,432,370</u>	<u>0</u>

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

PEARL RIVER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 COVID Recovery Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	5,393,512	5,393,512	
Interest income		1,121	1,121	
Total Revenues	<u>0</u>	<u>5,394,633</u>	<u>5,394,633</u>	<u>0</u>
EXPENDITURES				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>5,394,633</u>	<u>5,394,633</u>	<u>0</u>
Net Change in Fund Balance	0	5,394,633	5,394,633	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>5,394,633</u>	<u>5,394,633</u>	<u>0</u>

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

PEARL RIVER COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2021
UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.150957%	0.148786%	0.140438%	0.139151%	0.134910%	0.132159%	0.137055%
County's proportionate share of the net pension liability (asset)	\$ 22,312,104	28,803,241	24,699,131	23,144,945	22,426,621	23,606,896	21,186,000
Covered payroll	\$ 10,037,078	9,907,313	9,146,355	8,935,100	8,759,534	8,757,515	8,605,542
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	222.30%	290.73%	270.04%	259.03%	256.02%	269.56%	246.19%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 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.

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

PEARL RIVER COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2021
UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,764,984	1,737,453	1,507,276	1,407,280	1,379,627	1,379,309	1,355,373
Contributions in relation to the contractually required contribution	<u>1,764,984</u>	<u>1,737,453</u>	<u>1,507,276</u>	<u>1,407,280</u>	<u>1,379,627</u>	<u>1,379,309</u>	<u>1,355,373</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 10,143,586	9,985,347	9,298,433	8,935,100	8,759,534	8,757,515	8,605,542
Contributions as a percentage of covered payroll	17.40%	17.40%	16.21%	15.75%	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 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.

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

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2021

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 each major Special Revenue 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 the major Special Revenue Funds:

	Governmental Fund Types		
	General Fund	Countywide Road Fund	COVID Recovery Fund
Budget (Cash Basis)	\$ 1,791,106	103,236	5,394,633
Increase (Decrease)			
Net adjustments for revenue accruals	(425,503)	(1,449)	(5,253,628)
Net adjustments for expenditure accruals	(703,896)	36,846	(139,883)
GAAP Basis	\$ 661,707	138,633	1,122

PEARL RIVER COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2021

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.
For females, 115% of female rates at all ages.
Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

PEARL RIVER COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2021

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

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

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

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

2021

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.

For females, 84% of female rates up to age 72, 100% for ages above 76.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

For males, 134% of male rates at all ages.

For females, 121% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.

For females, 110% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

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

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

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

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

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

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

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

PEARL RIVER COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2021

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

PEARL RIVER COUNTY

OTHER INFORMATION

PEARL RIVER COUNTY

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PEARL RIVER COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2021
UNAUDITED

Name	Position	Company	Bond
Donald Hart	Supervisor District 1	RLI Insurance Company	\$100,000
Malcolm Perry	Supervisor District 2	Western Surety Company	\$100,000
Hudson Holliday	Supervisor District 3	Western Surety Company	\$100,000
Jason Spence	Supervisor District 4	RLI Insurance Company	\$100,000
Sandy Kane Smith	Supervisor District 5	RLI Insurance Company	\$100,000
Adrain Lumpkin	County Administrator	Western Surety Company	\$100,000
Melinda Smith Bowman	Chancery Clerk	RLI Insurance Company	\$100,000
Lisa Fowler	Purchase Clerk	Western Surety Company	\$75,000
Lindsey Pender	Assistant Purchase Clerk	Western Surety Company	\$50,000
Pam Bowers	Receiving Clerk	RLI Insurance Company	\$75,000
Roy D'Arcangelo	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Anissa Davis - Jones	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Renee Roland	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
George Dudley Russ	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Richard Young	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Josh Beckham	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Chris Johnson	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Shannon Beckham	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Jerry Bounds	Inventory Control Clerk	Western Surety Company	\$75,000
Charles J. Schielder	Road Manager	RLI Insurance Company	\$50,000
Danny Slade	Constable	RLI Insurance Company	\$50,000
Jason G. Hunt	Constable	RLI Insurance Company	\$50,000
Ray Bennett	Constable	RLI Insurance Company	\$50,000
Nance F. Stokes	Circuit Clerk	RLI Insurance Company	\$100,000
Donna Dubose	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Allison G. Finch	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Zeneta L. John	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Violine Jordan	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Wendy B Babin	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Sandra Cutrer	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Dylan Dunaway	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Elena D. Shaw	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Elizabeth A. Smith	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
David Rimkus	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
David Allison	Sheriff	RLI Insurance Company	\$100,000
Donald D. Fail	Justice Court Judge	RLI Insurance Company	\$50,000
John Mark Mitchell	Justice Court Judge	RLI Insurance Company	\$50,000
Benjamin Breland	Justice Court Judge	Western Surety Company	\$10,000
Kathy Mason	Justice Court Clerk	RLI Insurance Company	\$50,000
Anna Allen	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Tanya R. Herndon	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Erin Peterson	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Brittany Smith Twiner	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Floy Strain	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Gary Beech	Tax Assessor-Collector	Western Surety Company	\$100,000
JoLynn Houston	Deputy Tax Assessor	Western Surety Company	\$10,000
Wylie A. Anderson	Deputy Tax Assessor	Western Surety Company	\$10,000
Geri Grubbs	Deputy Tax Assessor	Western Surety Company	\$10,000
Latisha R. Johnson	Deputy Tax Assessor	Western Surety Company	\$10,000

PEARL RIVER COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2021
UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Wesley A. Mitchell	Deputy Tax Assessor	Western Surety Company	\$10,000
Marnie T. Ready	Deputy Tax Assessor	Western Surety Company	\$10,000
Michael Templeton	Deputy Tax Assessor	Western Surety Company	\$10,000
Norman Tynes	Deputy Tax Assessor	Western Surety Company	\$10,000
JoLynn Houston	Deputy Tax Collector	Western Surety Company	\$50,000
Becky Macdonald	Deputy Tax Collector	Western Surety Company	\$50,000
Ruby L. Ladner	Deputy Tax Collector	Western Surety Company	\$50,000
Penny M. Fleming	Deputy Tax Collector	Western Surety Company	\$50,000
Darlene Hyatt	Deputy Tax Collector	Western Surety Company	\$50,000
Lynn Martin	Deputy Tax Collector	Western Surety Company	\$50,000
Sylvia D. Miller	Deputy Tax Collector	Western Surety Company	\$50,000
Kimberly D. Moore	Deputy Tax Collector	Western Surety Company	\$50,000
Jackie Necaize	Deputy Tax Collector	Western Surety Company	\$50,000
Brooke M. Spiers	Deputy Tax Collector	Western Surety Company	\$50,000
Holly R. Talley	Deputy Tax Collector	Western Surety Company	\$50,000
Brittany Duncan	Deputy Tax Collector	RLI Insurance Company	\$50,000
Malorie Welch	Deputy Tax Collector	Western Surety Company	\$50,000
Jessica Allison McCormick	Deputy Tax Collector	Western Surety Company	\$50,000
Tina Ladner	Deputy Tax Collector	RLI Insurance Company	\$50,000
Kaeleigh Bourgeois	Deputy Tax Collector	RLI Insurance Company	\$50,000

PEARL RIVER COUNTY

SPECIAL REPORTS

PEARL RIVER COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

**INDEPENDENT AUDITOR'S 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl River County, Mississippi (the County), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 28, 2023. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

We also noted certain matters, which we have reported to the management of Pearl River County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 28, 2023, included within this document.

Pearl River County's Responses to Findings

Pearl River County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Pearl River County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 28, 2023



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISSISSIPPI CODE OF 1972 ANNOTATED)**

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, Mississippi Code of 1972 Annotated* and compliance with the purchasing requirements in accordance with bid requirements of *Section 31-7-13, Mississippi Code of 1972 Annotated* during the year ended September 30, 2021. 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 such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Pearl River County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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 responses are disclosed below:

Purchase Clerk.

1. Management and Purchase Clerk should maintain adequate controls over purchasing.

Repeat Finding Yes

Criteria *Section 31-7-111, Mississippi Code of 1972 Annotated*, requires the purchase clerk to maintain custody of supporting documentation for purchases of the county and deems the documentation to be public record which shall be made available for inspection during reasonable hours to any person requesting the same.

Condition As reported in the prior year's audit report, deficiencies were noted in the testing of expenditures. During our audit we noted one expenditure which did not include the required purchase requisition, purchase order and receiving report.

Cause The Purchase Clerk did not comply with state laws.

Effect The lack of proper approval and documentation could result in unauthorized purchases.

Recommendation The Purchase Clerk should maintain adequate controls by issuing purchasing documents as required by law.

Views of Responsible Official(s) The Board will work to ensure all required purchase documents will be completed before issuing a check.

Purchase Clerk.

2. Purchase Clerk should be properly bonded.

Repeat Finding No

Criteria *Section 31-7-124, Mississippi Code of 1972 Annotated*, requires Purchase Clerks to execute a bond in a penalty not less than \$100,000, to be payable, conditioned and approved as provided by law.

Condition During review of the County's surety bonds, it was noted that the Purchase Clerk did not have a surety bond in the amount required by law. The surety bond was for \$75,000 instead of the required \$100,000.

Cause The County did not comply with state laws.

Effect Failure to comply with the state laws would limit the amount available for recovery if a loss occurred.

Recommendation The Purchase Clerk should be bonded in accordance with state law.

Views of Responsible Official(s) The County Administrator will work with all the departments to ensure that all employees will be bonded correctly.

Board of Supervisors.

3. Assistant Receiving Clerks should be properly bonded.

Repeat Finding No

Criteria *Section 31-7-124, Mississippi Code of 1972 Annotated*, requires Assistant Receiving Clerks to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved by law.

Condition During review of the County's surety bonds, it was noted that one Assistant Receiving Clerk was not bonded for fiscal year 2021.

Cause The County did not comply with state laws.

Effect Failure to comply with the state laws would limit the amount available for recovery if a loss occurred.

Recommendation The Assistant Receiving Clerks should be bonded in accordance with state law.

Views of Responsible Official(s) The County Administrator will work with all the departments to ensure that all employees will be bonded correctly.

Inventory Control Clerk.

4. The Inventory Control Clerk should maintain an accurate inventory control system.

Repeat Finding No

Criteria *Section 31-7-107, Mississippi Code of 1972 Annotated*, requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish County assets from one another, thereby safeguarding County assets from loss or misappropriation. The information is also very important in the financial reporting process.

Condition During our review of the County's inventory control system, the following deficiencies were noted in the capital asset records:

- a. Six current year additions were added twice in error.
- b. Eight current year additions were not added to the capital asset records.
- c. Three current year additions were added with an incorrect cost.
- d. Seven assets disposed of during the year were not removed from the capital asset records.
- e. Various assets were misclassified.

Cause The Inventory Control Clerk lacked the necessary internal control procedures required to ensure that all items are recorded, properly valued, and properly classified in the County's capital asset records.

Effect The failure to properly maintain the 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 implement appropriate control procedures to ensure that all assets are recorded, properly valued and properly classified in the County's capital asset records. The information in the County's capital asset records should be reconciled by all department heads through an annual inventory to ensure records are accurate and complete.

Views of Responsible Official(s) The Board and County Administrator are working with the new inventory clerk to correct all issues and ensure all items will be presented to the board for approval in the future.

In our opinion, 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, 2021.

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, *Mississippi Code of 1972 Annotated*. The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

Pearl River County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 28, 2023

PEARL RIVER COUNTY
Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2021

Schedule 1

Our tests did not identify any purchases from other than the lowest bidder.

PEARL RIVER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2021

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
4/13/2021	Chiller System	\$ 106,383	Mechanical Services, LLC	Chiller at the health department stopped working.

PEARL RIVER COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2021

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
3/2/2021	Software	\$	26,513	ESRI

PEARL RIVER COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

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, 2021, 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 June 28, 2023, on the financial statements of Pearl River County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code of 1972 Annotated*, 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.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors and Payroll Clerk.

1. The Board of Supervisors and Payroll Clerk should ensure compliance with state laws over the re-employment of retired service employees.

Repeat Finding Yes

Criteria *Section 25-11-127(4)(b), Mississippi Code of 1972 Annotated*, requires retirees, who make the election, to receive no more than twenty-five percent (25%) of their final average compensation used in calculating the retiree's service retirement allowance.

Condition As reported in the prior year's audit report, deficiencies were noted during our testing of the County's rehired retirees. One retiree was paid more than twenty-five percent of the retiree's average compensation.

Cause The County did not comply with state laws.

Effect Failure to pay retirees within the allowable amounts resulted in the violation of state law.

Recommendation The County should strengthen controls to ensure retirees are not paid more than allowable amounts, as required by law.

Views of Responsible Official(s) It is the employees responsibility to keep up with their hours worked and should stop working before going over their allowable wage.

Board of Supervisors.

2. Board of Supervisors should strengthen controls to ensure compliance of accounting for restricted funds.

Repeat Finding No

Criteria *Section 23-15-5(2)(a)(i), Mississippi Code of 1972 Annotated*, states monies distributed by The Secretary of State from the Election Support Fund shall be held in a separate fund solely for the purpose of acquiring, upgrading, maintaining or repairing voting equipment, systems and supplies, hiring temporary technical support, conducting elections using such voting equipment or systems, employing such personnel to conduct an election, and training election officials.

Condition The Board of Supervisors deposited monies from the Election Support Funds into the General Fund.

Cause The County did not comply with state laws.

Effect Failure to correctly record restricted funds could result in misappropriation and misuse of restricted funds.

Recommendation The Board of Supervisors should create a separate fund to account for monies received from the Election Support Fund.

Views of Responsible Official(s) In the future, all payments will be receipted into a separate fund.

3. Justice Court Judges should be properly bonded

Repeat Finding Yes

Criteria *Section 9-11-7, Mississippi Code of 1972 Annotated*, requires Justice Court Judges to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law.

Condition As noted in the prior year's audit report, we noted that one Justice Court Judge did not have a surety bond in the amount required by law for this position. The surety bond was for \$10,000 instead of the required \$50,000

Cause The County did not comply with state laws.

Effect Failure to comply with the statute would limit the amount available for recovery if a loss occurred.

Recommendation The Justice Court Judge should be bonded in an amount required by state law.

Views of Responsible Official(s) The County Administrator will work with all the departments to ensure that all employees will be bonded correctly.

4. Deputy Tax Collectors should be properly bonded.

Repeat Finding No

Criteria *Section 27-1-9(a), Mississippi Code of 1972 Annotated*, requires each Deputy Tax Collector to be bonded for an amount not less than \$50,000.

Condition During review of the County’s surety bonds, it was noted that one Deputy Tax Collector was not bonded for the 2021 fiscal year.

Cause The County did not comply with state laws.

Effect Failure to comply with state laws would limit the amount available for recovery if a loss occurred.

Recommendation The Deputy Tax Collectors should be bonded in accordance with state law.

Views of Responsible Official(s) The County Administrator will work with all the departments to ensure that all employees will be bonded correctly.

Board of Supervisors and Tax Assessor-Collector.

5. Tax abatements should not exempt taxes levied for schools or the 1 mill mandatory levy.

Repeat Finding No

Criteria *Section 27-31-109, Mississippi Code of 1972 Annotated*, requires the board of supervisors, at its next board meeting, after receipt of certification from the State Tax Commission, to declare exemptions of property taxes. *Section 27-31-101, Mississippi Code of 1972 Annotated*, authorizes the Board of Supervisors, in their discretion, to grant exemptions from ad valorem taxation, on tangible property used in, or necessary to, the operation of manufacturers and other new enterprises enumerated by classes in this section. Furthermore, *Section 27-31-105, Mississippi Code of 1972 Annotated*, authorizes the Board of Supervisors to also grant exemption from ad valorem taxation to the owner or operator of a manufacturing or other enterprise of public utility who makes additions to or expansions of the enterprise. However, in the cases of both exemption, the Board of Supervisors may not grant exemption from taxes for school purposes or the 1 mill levy required by *Section 27-39-329(2)(c), Mississippi Code of 1972 Annotated*.

Condition During our review of the County’s tax exemptions, we noted the following:

- a. One tax abatement application was not approved and spread in the board minutes.
- b. Two tax abatements exempted the mandatory one mill levy and the levies for community college support and maintenance.

Cause The Board of Supervisors and Tax Assessor-Collector did not comply with state laws.

Effect Failure to assess the community college and mandatory 1 mill ad valorem tax levies on industrial exempt properties resulted in a shortage of taxes collected in the amount of \$13,268 for the community college levies and \$2,782 for the mandatory 1 mill levy.

Recommendation The Board of Supervisors and the Tax Assessor-Collector should ensure that the appropriate ad valorem taxes are levied on industrial exempt properties in accordance with state laws.

Views of Responsible Official(s) The County Administrator will work with the Tax Assessor-Collector to ensure all parcels are coded to the proper taxing districts.

Tax Assessor-Collector.

6. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

Repeat Finding No

Criteria An effective system of internal control should include adequate segregation of duties and safeguards to protect payments received.

Condition Cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated for effective internal control. During our audit we noted the following deficiencies in internal controls:

- a. The Tax Assessor-Collector's office manager does not have their own cash drawer to receipt payments received.
- b. The Tax Assessor-Collector's office manager does not have their own computer login credentials to receipt payments received; the credentials of a Deputy Clerk are used when receipting payments received.

Cause The County lacked the necessary internal controls over the cash collections and disbursements in the Tax Assessor-Collector's office.

Effect Failure to establish an adequate system of internal controls over cash collections and disbursements for tax collections could result in the misappropriation or loss of public funds.

Recommendation The Tax Assessor-Collector should implement a system of internal control to ensure that all employees have their own cash drawer and computer credentials for receipting tax payments.

Views of Responsible Official(s) I agree with the auditor's recommendation and have directed tax office personnel to follow these instructions.

Pearl River County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity, 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.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 28, 2023

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2021

Section 1: Summary of Auditor's Results

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

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2021-001. The Inventory Control Clerk should maintain an accurate inventory control system.

Repeat Finding No

Criteria An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish County assets from one another, thereby safeguarding County assets from loss or misappropriation. The information is also very important in the financial reporting process.

Condition During our review of the County's inventory control system, the following deficiencies were noted in the capital asset records:

- a. Six current year additions were added twice in error.
- b. Eight current year additions were not added to the capital asset records.
- c. Three current year additions were added with an incorrect cost.
- d. Seven assets disposed of during the year were not removed from the capital asset records.
- e. Various assets were misclassified.

Cause The Inventory Control Clerk lacked the necessary internal control procedures required to ensure that all items are recorded, properly valued, and properly classified in the County's capital asset records.

PEARL RIVER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2021

Effect	The failure to properly maintain the 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 implement appropriate control procedures to ensure that all assets are recorded, properly valued and properly classified in the County's capital asset records. The information in the County's capital asset records should be reconciled by all department heads through an annual inventory to ensure records are accurate and complete.
Views of Responsible Official(s)	The Board and County Administrator are working with the new inventory clerk to correct all issues and ensure all items will be presented to the board for approval in the future.