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Pearl River County, Mississippi  
Primary Government Financial Statements  
and Special Reports  
For the Year Ended September 30, 2005

PEARL RIVER COUNTY

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INDEPENDENT AUDITOR'S REPORT  
ON  
THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

January 1, 2007

Members of the Board of Supervisors  
Pearl River County, Mississippi

We have audited the accompanying primary government financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Pearl River County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Pearl River County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Pearl River County, Mississippi, as of September 30, 2005, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund and the aggregate remaining fund information for the primary government of Pearl River County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 1, 2007, on our consideration of Pearl River County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions, of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Pearl River County, Mississippi has not presented Management's Discussion and Analysis that are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Pearl River County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Angela T. Herzog  
Certified Public Accountant

PEARL RIVER COUNTY  
PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Pearl River County  
Statement of Net Assets  
September 30, 2005

	<u>Primary Government</u>
	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 5,163,797
Property tax receivable	10,560,372
Fines receivable, (net of allowance for uncollectibles of \$1,331,997)	387,881
Loans Receivable	321,220
Intergovernmental receivables	207,703
Other receivables, net	14,024
Capital assets, net	<u>54,167,628</u>
Total Assets	<u>70,822,625</u>
<b>LIABILITIES</b>	
Claims payable	999,537
Intergovernmental payables	566,116
Deferred revenue	10,560,372
Long-term liabilities	
Due within one year:	
Capital related debt	863,998
Due in more than one year:	
Capital related debt	14,530,614
Non-capital debt	383,706
Total Liabilities	<u>27,904,343</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	38,773,016
Restricted net assets:	
Loans Receivable	321,220
Capital Projects	949,467
Unrestricted	2,874,579
Total Net Assets	<u>\$ 42,918,282</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, 2005

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 4,394,002	\$ 1,348,792	\$ 14,730	\$ -	(3,030,480)
Public safety	7,352,240	1,010,072	688,292	-	(5,653,876)
Public works	4,614,506	-	918,270	1,334,441	(2,361,795)
Health and welfare	4,861,056	-	55,786	369,110	(4,436,160)
Culture and recreation	352,079	-	-	-	(352,079)
Conversation of natural resources	169,120	-	-	-	(169,120)
Economic development and assistance	292,637	-	62,223	-	(230,414)
Interest on long-term debt	705,888	-	-	-	(705,888)
Total Governmental Activities	<u>22,741,528</u>	<u>2,358,864</u>	<u>1,739,301</u>	<u>1,703,551</u>	<u>(16,939,812)</u>

General revenues:

Property taxes	\$ 9,695,645
Road & bridge privilege taxes	788,217
Grants and contributions not restricted to specific programs	1,231,344
Unrestricted investment income	200,280
Loss on sale of capital assets	(673,979)
Miscellaneous	373,606
Total General Revenues	<u>11,615,113</u>
Changes in Net Assets	<u>(5,324,699)</u>
Net Assets - Beginning	48,242,981
Net Assets - Ending	<u>\$ 42,918,282</u>

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

Pearl River County  
 Balance Sheet - Governmental Funds  
 September 30, 2005

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Road Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 2,016,101	\$ 389,657	\$ 2,758,039	\$ 5,163,797
Property tax receivable	6,735,000	2,826,486	998,886	10,560,372
Fines receivable	387,881	-	-	387,881
Loans Receivable	321,220	-	-	321,220
Intergovernmental receivables	207,703	-	-	207,703
Other receivables	14,024	-	-	14,024
Due from other funds	-	56,457	52,097	108,554
<b>Total Assets</b>	<b>\$ 9,681,929</b>	<b>\$ 3,272,600</b>	<b>\$ 3,809,022</b>	<b>\$ 16,763,551</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 632,465	\$ 171,849	\$ 195,222	\$ 999,536
Intergovernmental payables	566,116	-	-	566,116
Due to other funds	108,554	-	-	108,554
Deferred revenue	7,122,886	2,826,486	998,886	10,948,258
<b>Total Liabilities</b>	<b>8,430,021</b>	<b>2,998,335</b>	<b>1,194,108</b>	<b>12,622,464</b>
Fund balances:				
Reserved for:				
Loans Receivable	321,220	-	-	321,220
Debt service funds	-	-	320,341	320,341
Unreserved, reported in:				
General fund	930,688	-	-	930,688
Special revenue funds	-	274,265	2,294,573	2,568,838
<b>Total Fund Balances</b>	<b>1,251,908</b>	<b>274,265</b>	<b>2,614,914</b>	<b>4,141,087</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,681,929</b>	<b>\$ 3,272,600</b>	<b>\$ 3,809,022</b>	<b>\$ 16,763,551</b>

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

Pearl River County  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 4,141,087
Amounts reported for governmental services in the statement of net assets are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$86,703,160	54,167,628
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	387,881
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds. Long-term liabilities	(15,778,318)
Total net assets - governmental activities	\$ <u><u>42,918,278</u></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, 2005

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Road Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 6,720,910	\$ 977,694	\$ 1,997,041	\$ 9,695,645
Road and bridge privilege taxes	231,772	556,445	-	788,217
Licenses, commissions and other revenue	573,175	-	-	573,175
Fines and forfeitures	920,719	-	18,604	939,323
Intergovernmental revenues	2,335,724	1,823,044	509,297	4,668,065
Charges for services	190,437	127,697	492,416	810,550
Interest income	144,811	10,363	179,425	334,599
Miscellaneous revenues	145,343	22,227	77,503	245,073
Total Revenues	<u>11,262,891</u>	<u>3,517,470</u>	<u>3,274,286</u>	<u>18,054,647</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,325,037	-	319,645	4,644,682
Public safety	5,417,937	-	1,397,706	6,815,643
Public works	162,484	3,881,331	1,231,686	5,275,501
Health and welfare	355,356	-	4,505,700	4,861,056
Culture and recreation	329,840	-	12,010	341,850
Education	-	-	8,630	8,630
Conservation of natural resources	155,630	-	13,491	169,121
Economic development and assistance	565,561	-	2,703	568,264
Debt service:				
Principal	271,079	-	721,362	992,441
Interest	387,655	-	318,233	705,888
Total Expenditures	<u>11,970,579</u>	<u>3,881,331</u>	<u>8,531,166</u>	<u>24,383,076</u>
Excess of Revenues over (under) Expenditures	<u>(707,688)</u>	<u>(363,861)</u>	<u>(5,256,880)</u>	<u>(6,328,429)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	133,830	611,026	4,500,000	5,244,856
Transfers in	626,257	-	-	626,257
Transfers out	(626,257)	-	-	(626,257)
Total Other Financing Sources and Uses	<u>133,830</u>	<u>611,026</u>	<u>4,500,000</u>	<u>5,244,856</u>
Net Changes in Fund Balances	<u>(573,858)</u>	<u>247,165</u>	<u>(756,880)</u>	<u>(1,083,573)</u>
Fund Balance - Beginning	<u>1,825,766</u>	<u>27,100</u>	<u>3,371,794</u>	<u>5,224,660</u>
Fund Balances - Ending	<u>\$ 1,251,908</u>	<u>\$ 274,265</u>	<u>\$ 2,614,914</u>	<u>\$ 4,141,087</u>

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

Pearl River County  
 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, 2005

Exhibit 4-1

Net changes in fund balances - total governmental funds \$ (1,083,573)

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 assets  
 differs from the change in fund balances by the amount of capital outlays of  
 \$1,517,691 exceeded depreciation expense of \$910,235, in the current period. 607,456

In the statement of activities, only gains and losses from the sale of capital assets  
 are reported, whereas in the government funds, proceeds from the sale of capital  
 assets increase financial resources and loss from the sale on disposal of capital  
 assets decreases financial resources. Thus, the change in net assets differs  
 from the change in fund balances by the amount of loss on disposal of assets. (673,979)

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. 36,162

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 and loss from the sale of capital  
 assets decrease financial resources. Thus, the change in net assets differs  
 from the changes in fund balances by the amount that debt proceeds  
 \$5,244,858 exceeded debt repayments \$992,441. (4,252,417)

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 assets differs from the change  
 in fund balances by a combination of the following items:

Compensated absences payable 41,652

Change in net assets of governmental activities \$ (5,324,699)

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

Pearl River County  
Statement of Fiduciary Assets and Liabilities  
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 1,174,796
Total Assets	<u>\$ 1,174,796</u>
<b>LIABILITIES</b>	
Intergovernmental payables	<u>1,174,796</u>
Total Liabilities	<u>\$ 1,174,796</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, 2005

I. Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

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

- Mississippi Corrections PRC, LLC

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

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a statement of net

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The government-wide and fiduciary fund 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 revenue 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 sixty days after year end to liquidate liabilities expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

The county reports the following major governmental funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Road Fund – This fund is used to account for all activities of the road department.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

D. Account Classification.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 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.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

Cash includes cash on hand, demand deposits, all certificates of deposit, and cash equivalents, which are short-term, highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

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

G. Interfund Receivables/Payables.

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. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. 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 applicable governmental column in the government-wide financial statement. 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported 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.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

		Capitalization Thresholds	Estimated Useful Life
Land	\$	-	n/a
Infrastructure		-	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 will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of concurrent 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 Assets.

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

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

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues.

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

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

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

L. 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.

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

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

Therefore, the county's full liability in the amount of \$425,358 for accumulated unpaid personal leave up to a maximum of 20 days per employee is reported as a liability in the Statement of Net Assets.

II. Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3. GASB Statement No.40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and accompanying notes.

III. Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$6,338,593, and the bank balance was \$5,498,361. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

IV. Interfund Receivables and Payables.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

<u>Receivable Fund:</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Major Funds:</u>		
Other Non-major Governmental Funds	General Fund	\$ 52,097
Road Fund	General Fund	56,457
	Total	<u>\$ 108,554</u>

The interfund receivables and payables were a result of the tax collector receivable accrual.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<u>Major Funds:</u>		
General Funds	General Funds	\$ <u>626,257</u>
	Total	\$ <u>626,257</u>

The purpose of the transfers was \$150,000 for severance tax, \$276,257 for homestead exemption, and \$200,000 for the trust fund.

V. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2005 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tax Credit	\$ <u>207,703</u>

VI. Loans Receivable.

Loans receivable at September 30, 2005, consists of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Pearl River Community College Loan	02-97	3.7	12-12	\$ <u>321,220</u>

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

VII. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 620,410	\$	\$ (45,000)	\$	\$ 575,410
Construction in progress	<u>9,126,015</u>	<u>54,139</u>		<u>(9,180,154)</u>	
Total non-depreciable capital assets	<u>9,746,425</u>	<u>54,139</u>	<u>(45,000)</u>	<u>(9,180,154)</u>	<u>575,410</u>
<u>Depreciable capital assets:</u>					
Infrastructure	120,120,086			-	120,120,086
Buildings	4,351,285	-	(788,246)	9,180,154	12,743,193
Improvements other than buildings		312,193			312,193
Mobile equipment	2,707,400	314,082	(118,971)	438,179	3,340,690
Furniture and equipment	1,354,909	660,217	(44,939)	153,665	2,123,852
Leased property under capital leases	<u>2,255,948</u>	<u>177,060</u>	<u>(185,800)</u>	<u>(591,844)</u>	<u>1,655,364</u>
Total depreciable capital assets	<u>130,789,628</u>	<u>1,463,552</u>	<u>(1,137,956)</u>	<u>9,180,154</u>	<u>140,295,378</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	80,716,577	159,888			80,876,465
Buildings	2,147,115	218,907	(284,326)		2,081,696
Improvements other than buildings		12,489			12,489
Mobile equipment	2,092,994	183,194		175,621	2,451,809
Furniture and equipment	356,461	107,258		42,078	505,797
Leased property under capital leases	<u>988,751</u>	<u>228,499</u>	<u>(224,647)</u>	<u>(217,699)</u>	<u>771,052</u>
Total accumulated depreciation	<u>86,301,898</u>	<u>910,235</u>	<u>(508,973)</u>	<u>-</u>	<u>86,703,160</u>
Total depreciable capital assets, net	<u>44,487,730</u>	<u>1,145,161</u>	<u>(1,220,827)</u>	<u>9,180,154</u>	<u>53,592,218</u>
Governmental activities capital assets, net	<u>\$ 54,234,155</u>	<u>\$ 1,199,300</u>	<u>\$ (1,265,827)</u>	<u>\$ -</u>	<u>\$ 54,167,628</u>

Adjustments were made to capital assets to transfer amounts between capital asset accounts.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

Depreciation expense was changed to the following functions:

Governmental Activities:

	<u>Amount</u>
General government	\$ 106,223
Public safety	399,002
Public works	403,659
Culture and recreation	<u>1,351</u>
Total governmental activities depreciation expense	\$ <u>910,235</u>

VIII. Claims and Judgements.

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 \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

IX. Capital Leases.

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2005

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,315,884
Other furniture and equipment	<u>339,480</u>
Total	1,655,364
Less: Accumulated depreciation	<u>(771,052)</u>
Leased Property Under Capital Leases	<u>\$ 884,312</u>

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2005, are as follows:

Year Ending September 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 324,344	\$ 32,753
2007	260,530	22,956
2008	266,921	15,073
2009	52,233	9,143
2010	28,280	8,544
2011	<u>216,383</u>	<u>-</u>
Total	<u>\$ 1,148,691</u>	<u>\$ 88,469</u>

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

X. Long-Term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Governmental Activities

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Governmental Activities			
A. Limited Obligation Bonds:			
Detention Facility, Series 2003,	\$ 8,749,351	3.86%	01-2023
Hospital Improvement, Series 2002	4,480,000	3.20% to 5.25%	07-2032
Total Limited Obligation Bonds	<u>\$ 13,229,351</u>		
B. Capital Leases			
4 New Holland backhoes	32,694	4.16%	04-2007
Kobelco hydraulic excavator	2,175	3.93%	12-2005
2 2003 Alamo Mowers	61,514	3.19%	06-2008
2 New Holland Tractors	41,225	2.90%	06-2007
4 Mack Dump Trucks	148,743	3.19%	12-2007
Communication Equipment	20,519	5.77%	04-2006
3 2002 Ford Crown Victorias	5,197	4.44%	01-2006
2 Crown Victorias	3,357	2.91%	12-2005
Voice/Data Phone System	72,124	3.24%	03-2007
2 Chevy Extended Cab Trucks	19,992	2.88%	05-2008
2 Crown Victorias	25,654	2.88%	04-2008
Caterpillar Wheel Loader	99,956	3.21%	07-2008
Caterpillar Wheel Loader	96,932	3.21%	04-2008
2 Caterpillar Motorgraders	348,600	3.42%	10-2010
2 F-350 Crew Cab Trucks	33,215	3.35%	02-2009
4 Bushhogs	16,086	3.28%	05-2008
6 Crown Victoria Police Cars	120,708	3.34%	04-2009
Total Capital Leases	<u>\$ 1,148,691</u>		

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
C. Other Loans:			
FNB Picayune bank note	\$ 30,206	5.2%	09-2006
FNB Picayune bank note	10,627	5.6%	04-2007
State of Mississippi cap loan	321,220	3.7%	12-2012
Hancock Bank- fire department loan	17,523	4.8%	12-2007
FNB Picayune bank note	9,993	4.8%	05-2008
Hancock Bank- fire department loan	16,346	5.25%	01-2010
FNB Picayune bank- fire department loan	27,079	4.48%	12-2011
FNB Picayune bank- fire department loan	11,304	6.12%	10-2010
Hancock bank-health department	203,090	3.19%	01-2009
FNB Picayune bank-fire department loan	34,406	5.15%	01-2014
FNB Picayune bank-fire department loan	17,518	5.15%	09-2013
Urban Renewal note	317,258	4.375%	02-2023
Total Other Loans	<u>\$ 1,016,570</u>		

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

Governmental Activities

<u>Year Ending September 30</u>	<u>Other Loans</u>		<u>Limited Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	\$	\$	\$	\$
2006	139,654	40,847	400,000	583,528
2007	144,997	35,980	420,000	574,571
2008	128,998	29,291	440,000	563,990
2009	123,851	24,333	455,000	551,253
2010	73,630	19,680	485,000	534,643
2011-2015	213,156	60,601	2,840,000	2,368,933
2016-2020	87,129	34,191	3,565,000	1,700,274
2021-2025	105,155	12,117	2,669,351	818,643
2026-2030			1,320,000	381,958
2031-2032			635,000	50,400
Total	<u>\$ 1,016,570</u>	<u>\$ 257,040</u>	<u>\$ 13,229,351</u>	<u>\$ 8,128,193</u>

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 county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the county had no outstanding general obligation bonded debt.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

The following is a summary of long-term changes that occurred in liabilities and obligations for year ended September 30, 2005:

<u>Styling</u>	<u>Balance</u> <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2005</u>	<u>Amount Due</u> <u>Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 425,358	\$	\$ (41,652)	\$ 383,706	\$ -
Limited obligation bonds	8,749,351	4,500,000	(20,000)	13,229,351	400,000
Capital leases	1,245,983	744,858	(842,150)	1,148,691	324,344
Other Loans	1,146,862		(130,292)	1,016,570	139,654
<b>Total</b>	<b>\$ 11,567,554</b>	<b>\$ 5,244,858</b>	<b>\$ (1,034,094)</b>	<b>\$ 15,778,318</b>	<b>\$ 863,998</b>

XI. Commitments and 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.

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.

General Obligation Debt Contingencies- The county borrowed money to provide funds for certain local fire districts. This debt is being retired from resources of these entities and is, therefore, a liability of these entities. However, because this debt is backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Description</u>	<u>Balance at</u> <u>Sept. 30, 2005</u>
Derby/Whitesand Fire District	\$ 64,514
McNeil Fire District	19,960
Northeast Fire District	56,701
North Central Fire District	4,227
Pine Grove Fire District	50,000
Nicholson Fire District	66,268
<b>Total</b>	<b>\$ 261,670</b>

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

XII. Joint Ventures.

The county participates in the following joint ventures:

Pearl River County is a participant with the Cities of Picayune and Poplarville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Pearl River County Library System. The library system was created to provide free library service to all the people in the county. The library system is governed by a board of trustees consisting of ten members. Pearl River County appoints five members, Picayune appoints four and Poplarville appoints one. The library system is funded by each governmental entity on a previously agreed to proportional basis. The county's appropriation to the joint venture was \$266,000 in fiscal year 2005. Complete financial statements for the Pearl River County Library System can be obtained from the Margaret Reed Crosby Memorial Library located at 900 Goodyear Blvd., Picayune, MS 39466.

Pearl River County is a participant with the Cities of Poplarville and Picayune, the Chamber of Commerce and Pearl River Community College in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operated the Pearl River County Development Association. The association was created to foster, encourage and facilitate economic development in the county. The association is composed of seven members appointed as follows: Pearl River County, two; Poplarville, one; Picayune, one; Chamber of Commerce, two; and Pearl River Community College, one. The county's appropriation to the joint venture was \$95,000 in fiscal year 2005. Complete financial statements can be obtained from P.O. Box 278, Picayune, MS 39466.

Pearl River County is a participant with the City of Poplarville in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Poplarville/Pearl River County Airport. The joint venture was created to provide airport service to the area. The airport is governed by a five-member board of commissioners appointed as follows: Pearl River County, two; Poplarville, two; and jointly, one. The county's appropriation to the joint venture was \$5,000 in fiscal year 2005. Complete financial statements can be obtained from Highway 53 South, Poplarville, MS 39470.

XIII. 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.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

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 \$86,000 for support of the agency in fiscal year 2005.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Pearl River County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants. The county appropriated \$6,000 for support of the agency in fiscal year 2005.

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 \$70,000 for support of the district in fiscal year 2005.

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 \$1,103,954 for maintenance and support of the college in fiscal year 2005.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Pearl River County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$40,000 for support of the district in fiscal year 2005.

XIV. Defined Benefit Pension Plan.

Plan Description – Pearl River County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy – PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004, and 2003, were \$637,219, \$524,339, and \$498,497, respectively, equal to the required contributions for each year.

PEARL RIVER COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

XV. Subsequent Events.

Subsequent to September 30, 2005, Pearl River County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/29/05	3.28%	\$152,008	Lease Purchase	Tax Revenues

As a result of Hurricane Katrina, Pearl River County received a \$4,660,703 Special Community Disaster Loan from the Federal Emergency Management Agency in December 2005. In March 2006, the County also received \$12,560,341 in reimbursements from the Federal Emergency Management Agency and \$12,450,642 from the Mississippi Emergency Management Agency. In April 2006, the county received \$2,169,209 in reimbursements of state aid funds for debris cleanup. In May 2006, the county received \$12,925,765 in reimbursements from the Federal Emergency Management Agency. In June 2006, the county received \$240,969 in reimbursements from the Federal Emergency Management Agency. The county also received a Hurricane Relief Subgrant in the amount of \$587,962 in June 2006. In February 2007, three subcontractors for Pearl River County debris removal plead guilty to conspiracy to defraud the United States through false debris removal load slips that totaled \$716,677.

SUPPLEMENTAL INFORMATION

Pearl River County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 7,044,733	\$ 6,925,272	\$ 6,925,272	\$ -
Road and bridge privilege taxes		232,726	232,726	-
Licenses, commissions and other revenue	730,500	566,103	566,103	-
Fines and forfeitures	950,216	1,052,191	938,993	(113,198)
Intergovernmental revenues	2,328,540	2,445,273	2,397,263	(48,010)
Charges for services	465,000	190,437	190,437	-
Interest income	80,200	142,008	142,008	-
Miscellaneous revenues	387,000	464,427	478,077	13,650
<b>Total Revenues</b>	<b>11,986,189</b>	<b>12,018,437</b>	<b>11,870,879</b>	<b>(147,558)</b>
<b>EXPENDITURES</b>				
Current:				
General government	4,311,671	4,589,798	4,394,185	195,613
Public safety	4,926,301	5,628,027	5,193,133	434,894
Public works	164,000	161,016	161,016	-
Health and welfare	373,666	356,759	356,759	-
Culture and recreation	361,000	330,229	329,410	819
Education	590,581	389,377	188,797	200,580
Conservation of natural resources	192,710	184,176	165,194	18,982
Economic development and assistance	1,373,000	603,603	498,252	105,351
Debt service:				
Principal			222,235	(222,235)
Interest			436,498	(436,498)
<b>Total Expenditures</b>	<b>12,292,929</b>	<b>12,242,985</b>	<b>11,945,479</b>	<b>297,506</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(306,740)</b>	<b>(224,548)</b>	<b>(74,600)</b>	<b>149,948</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued		43,000	43,000	-
Refunding bonds issued				-
Proceeds from sale of capital assets				-
Premiums on bonds issued				-
Compensation for loss of capital assets				-
Transfers in		626,257	626,257	-
Transfers out			(626,257)	(626,257)
Payment to bond refunding escrow agent				-
Discount on bonds issued				-
Other financing sources	250,000	-		
Other financing uses		(200,000)		200,000
<b>Total Other Financing Sources and Uses</b>	<b>250,000</b>	<b>469,257</b>	<b>43,000</b>	<b>(426,257)</b>
<b>Net Change in Fund Balance</b>	<b>(56,740)</b>	<b>244,709</b>	<b>(31,600)</b>	<b>(276,309)</b>
<b>Fund Balances - Beginning</b>	<b>(493,443)</b>	<b>(493,443)</b>	<b>(493,443)</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ (550,183)</b>	<b>\$ (248,734)</b>	<b>\$ (525,043)</b>	<b>\$ (276,309)</b>

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

Pearl River County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Road Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 876,286	976,449	\$ 976,449	\$ -
Road and bridge privilege taxes	-	566,819	566,819	-
Licenses, commissions, and other Revenue	600,000			
Intergovernmental revenues	2,180,000	1,823,044	1,823,044	-
Charges for services	180,000	127,697	127,697	-
Interest income	18,000	10,363	10,363	-
Miscellaneous revenues		22,227	22,227	-
Total Revenues	<u>3,854,286</u>	<u>3,526,599</u>	<u>3,526,599</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	4,006,916	3,189,472	3,187,633	1,839
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issue costs	-	-	-	-
Total Expenditures	<u>4,006,916</u>	<u>3,189,472</u>	<u>3,187,633</u>	<u>1,839</u>
Excess of Revenues over (under) Expenditures	<u>(152,630)</u>	<u>337,127</u>	<u>338,966</u>	<u>1,839</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	\$ 150,000	\$ -	\$ -	\$ -
Total Other Financing Sources and Uses	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ (2,630)	\$ 337,127	\$ 338,966	\$ 1,839
Fund Balances - Beginning	(9,274)	(9,274)	(9,274)	-
Fund Balances - Ending	<u><u>\$(11,904)</u></u>	<u><u>\$ 327,853</u></u>	<u><u>\$ 329,692</u></u>	<u><u>\$ 1,839</u></u>

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

PEARL RIVER COUNTY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

Notes to the Required Supplementary Information

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.

For the year ended September 30, 2005, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences, which amends Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

PEARL RIVER COUNTY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

	Governmental Fund Types	
	General Fund	Road Fund
Budget (Cash Basis)	\$ (31,600)	\$ 338,966
Increase (Decrease)		
Net adjustments for revenue accruals	90,207	80,049
Net adjustments for expenditure accruals	(632,465)	(171,850)
GAAP Basis	<u>\$ (573,858)</u>	<u>\$ 247,165</u>

PEARL RIVER COUNTY  
 Schedule of Expenditures of Federal Awards  
 For the year ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Homeland Security/Passed through Mississippi Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	05HS055 04CS055 04LE055	\$ 143,300
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Public assistance grants	97.036	FEMA-1051-DR-MS FEMA-1550-DR-MS FEMA-1604-DR-MS	214,713
Federal Emergency Management Agency Map Modernization grant	97.042	EMA-2004-CA-5027	<u>178,352</u>
Total Expenditures of Major Federal Awards			<u>536,365</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Health and Human Services Passed- through the Mississippi Department of Human Services Adolescent Offender Program grant	16.540	N/A	<u>47,550</u>
U.S. Department of Justice- Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Crime Victim Assistance	16.575	05CA1551 02VA1551 03VA1551	50,303
Violence against women formula grants	16.588	2SL1551	29,389
Office of Community Oriented Policing Services Public Safety Partnership and Community Policing Grants	16.710	2002CKWX0404 2002SHWX0393 2004UMWX0101 3SL1551	<u>206,344</u>
Total Department of Justice			<u>286,036</u>
U.S. Department of Transportation- Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>3,630</u>
Federal Emergency Management Agency Flood Mitigation grant	97.029	FMA-PL-04-MS-2001002	<u>2,537</u>
Total Expenditures of Other Federal Awards			<u>339,753</u>
Total Expenditures of Federal Awards			<u>\$ 876,118</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A- Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

PEARL RIVER COUNTY  
SPECIAL REPORTS

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

January 1, 2007

Members of the Board of Supervisors  
Pearl River County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pearl River County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements, and have issued our report thereon dated January 1, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered Pearl River County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pearl River County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item, 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

  
Angela T. Herzog  
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

January 1, 2007

Members of the Board of Supervisors  
Pearl River County, Mississippi

Compliance

We have audited the compliance of Pearl River County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Pearl River County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pearl River County, Mississippi's management. Our responsibility is to express an opinion on Pearl River County Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pearl River County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pearl River County, Mississippi's compliance with those requirements.

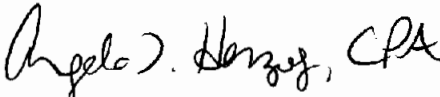
In our opinion, Pearl River County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Pearl River County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pearl River County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



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

January 1, 2007

Members of the Board of Supervisors  
Pearl River County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Pearl River County, Mississippi, as of and for the year ended September 30, 2005. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures, as we considered necessary in the circumstances.

The Board of Supervisors of Pearl River County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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 evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Pearl River County complied, in all material respects, with state laws governing central purchasing, inventory, and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases, and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Pearl River County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Angela T. Herzog, CPA*

Angela T. Herzog  
Certified Public Accountant

PEARL RIVER COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2005

Schedule 1

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

PEARL RIVER COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/22/05	Gas and Diesel	\$ 2,367	Hall's Service Station	Hurricane Katrina
9/22/05	Gas and Diesel	19,232	Duvall's	Hurricane Katrina

PEARL RIVER COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2005

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
6/10/05	Hawk 4 Recorder	\$ 7,300	Adaptive Digital Systems, Inc.

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

January 1, 2007

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, 2005, we considered Pearl River County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion 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 date January 1, 2007, on the financial statement of Pearl River County, Mississippi.

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

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



Angela T. Herzog  
Certified Public Accountant

PEARL RIVER COUNTY  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Schedule 4

Section 1: Summary of Auditor's Results  
Financial Statements

1. An unqualified opinion was issued on the primary government financial statements.
2. The audit identified a material weakness in internal control over financial reporting.
3. The audit did not disclose any noncompliance which is material to the primary government financial statements.

Federal Awards

4. An unqualified report was issued on compliance for Major Federal Programs
5. The audit did not identify any material weakness or reportable condition of internal control over major programs.
6. No audit finding was identified and reported as required by Section \_\_.510 (a) of Circular A-133.
7. Federal Programs identified as major programs: Department of Homeland Security Public Assistance Grant CFDA Number 97.036, Department of Homeland Security State Domestic Preparedness Equipment Support Program CFDA 97.004, and Federal Emergency Management Agency Map Modernization Grant CFDA # 97.042.
8. The dollar threshold used to distinguish between type A and Type B programs: \$300,000.
9. Auditee does not qualify as a low-risk auditee.
10. There was no prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_.315 (b) of OMB Circular A-133.

Section 2: Financial Statement Findings

Tax Collector

05-1. Finding- Internal control procedures are inadequate for maintaining subsidiary records documenting tax roll information. Before receiving tax roll documentation, numerous attempts were made to collect the information to perform audit procedures.

Recommendation- The tax collector should establish adequate internal control procedures to document tax roll information.

Response- When the year end reports are run in the future, that the reports will be archived. Then when they are needed in the future they will be available and match. The land roll is constantly being updated. This should help alleviate this problem.

Section 3: Federal Award Findings and Questioned Costs

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