

# NESHOBA COUNTY, MISSISSIPPI

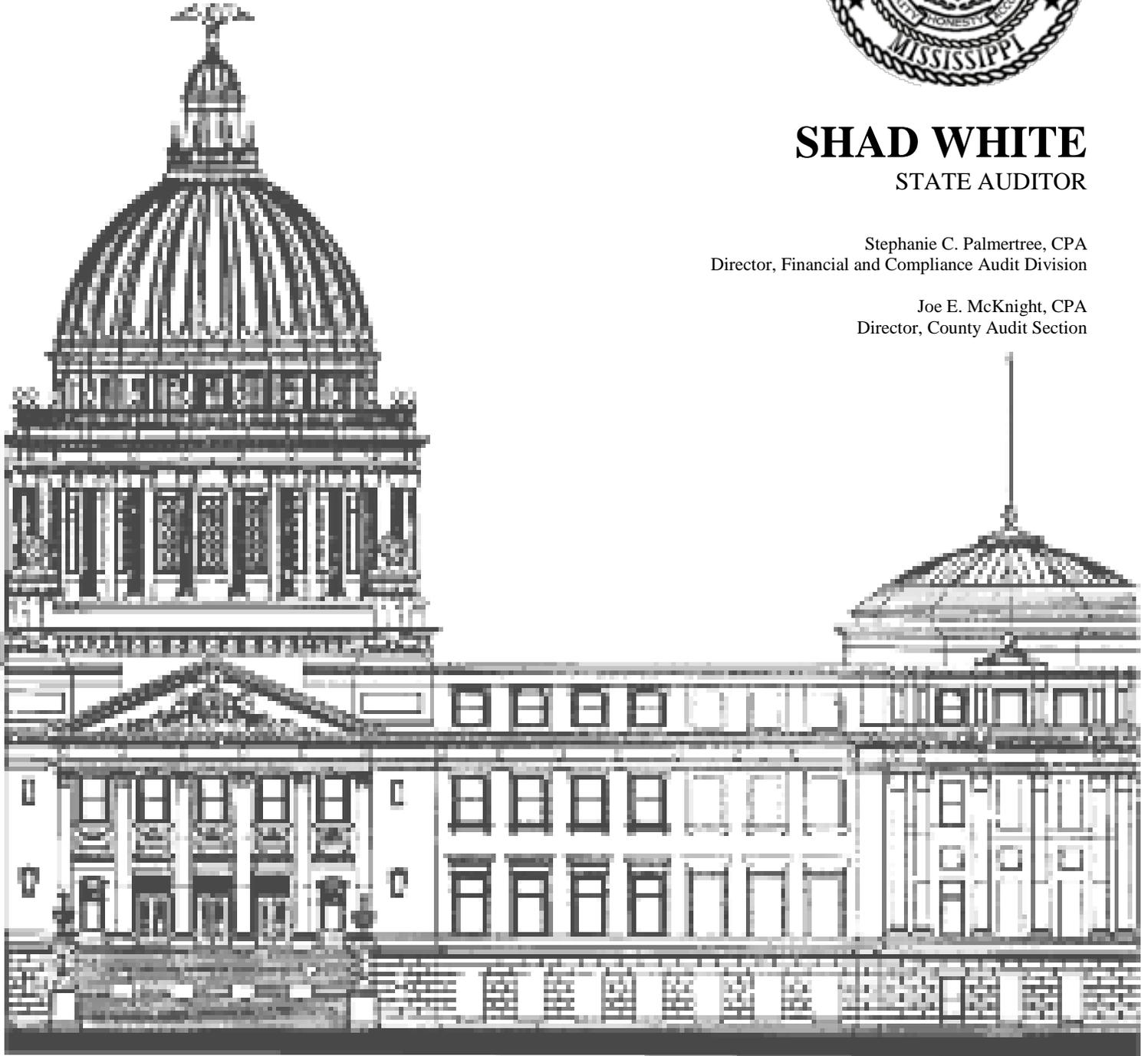
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2018



**SHAD WHITE**  
STATE AUDITOR

Stephanie C. Palmertree, CPA  
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









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

**Shad White**  
AUDITOR

April 6, 2020

Members of the Board of Supervisors  
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 financial and compliance audit report for Neshoba 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 Neshoba County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Neshoba 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 horizontal line.

Shad White



NESHOBA COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION ..... 1

INDEPENDENT AUDITOR'S REPORT..... 3

FINANCIAL STATEMENTS ..... 7

    Statement of Net Position ..... 9

    Statement of Activities..... 10

    Balance Sheet - Governmental Funds ..... 11

    Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position..... 12

    Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds ..... 13

    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
    Governmental Funds to the Statement of Activities ..... 14

    Statement of Net Position - Proprietary Fund ..... 15

    Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund ..... 16

    Statement of Cash Flows - Proprietary Fund ..... 17

    Statement of Fiduciary Assets and Liabilities..... 18

    Notes to Financial Statements..... 19

REQUIRED SUPPLEMENTARY INFORMATION ..... 39

    Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) – General Fund ..... 41

    Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) – County Unit Road  
    Fund..... 42

    Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) – Countywide  
    Bridge and Culvert Fund ..... 43

    Schedule of the County’s Proportionate Share of the Net Pension Liability ..... 44

    Schedule of County Contributions ..... 45

    Notes to the Required Supplementary Information..... 47

OTHER INFORMATION ..... 49

    Schedule of Surety Bonds for County Officials..... 50

SPECIAL REPORTS..... 53

    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* ..... 55

    Independent Accountant's Report on Central Purchasing System, Inventory Control System and  
    Purchase Clerk Schedules (Required By Section 31-7-115, Miss. Code Ann. (1972))..... 57

    Limited Internal Control and Compliance Review Management Report..... 63

SCHEDULE OF FINDINGS AND RESPONSES ..... 65



NESHOBA COUNTY

FINANCIAL SECTION

NESHOBA COUNTY

(This page left blank intentionally.)



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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Neshoba County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi, (the County) as of and for the year ended September 30, 2018, 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 Neshoba County, Mississippi, as of September 30, 2018, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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***

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

#### ***Supplementary and Other Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2020 on our consideration of Neshoba 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 Neshoba 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 Neshoba County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

April 6, 2020

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

FINANCIAL STATEMENTS

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY  
Statement of Net Position  
September 30, 2018

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 6,625,470	132,405	6,757,875
Property tax receivable	8,841,796		8,841,796
Accounts receivable (net of allowance for uncollectibles of \$338,370)		193,920	193,920
Fines receivable (net of allowance for uncollectibles of \$4,489,322)	712,341		712,341
Intergovernmental receivables	306,985		306,985
Other receivables	35,831		35,831
Internal balances	561,343	(561,343)	
Capital assets:			
Land and construction in progress	2,202,163	50,585	2,252,748
Other capital assets, net	21,701,901	350,022	22,051,923
<b>Total Assets</b>	<b>40,987,830</b>	<b>165,589</b>	<b>41,153,419</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	711,348	32,588	743,936
Deferred amount on refunding	136,108		136,108
<b>Total Deferred Outflows of Resources</b>	<b>847,456</b>	<b>32,588</b>	<b>880,044</b>
<b>LIABILITIES</b>			
Claims payable	283,527	12,874	296,401
Intergovernmental payables	254,669	12,283	266,952
Accrued interest payable	38,831		38,831
Unearned revenue		15,910	15,910
Other payables	37,931		37,931
Long-term liabilities			
Net pension liability	10,183,869	484,518	10,668,387
Due within one year:			
Capital debt	1,332,861		1,332,861
Due in more than one year:			
Capital debt	8,976,348		8,976,348
Non-capital debt	128,193	2,749	130,942
<b>Total Liabilities</b>	<b>21,236,229</b>	<b>528,334</b>	<b>21,764,563</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	323,925	20,994	344,919
Deferred revenues - property taxes	8,841,796		8,841,796
<b>Total Deferred Inflows of Resources</b>	<b>9,165,721</b>	<b>20,994</b>	<b>9,186,715</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,730,963	400,607	14,131,570
Restricted for:			
Expendable:			
General government	95,311		95,311
Public safety	1,228,921		1,228,921
Public works	2,899,481		2,899,481
Culture and recreation	87,699		87,699
Debt service	178,120		178,120
Unrestricted	(6,787,159)	(751,758)	(7,538,917)
<b>Total Net Position</b>	<b>\$ 11,433,336</b>	<b>(351,151)</b>	<b>11,082,185</b>

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

NESHOBA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,225,316	723,704	232,271		(2,269,341)		(2,269,341)
Public safety	3,582,023	587,310	319,333		(2,675,380)		(2,675,380)
Public works	4,103,780	3,800	637,671	746,343	(2,715,966)		(2,715,966)
Health and welfare	103,798		45,218		(58,580)		(58,580)
Culture and recreation	643,232				(643,232)		(643,232)
Conservation of natural resources	111,073				(111,073)		(111,073)
Economic development and assistance	70,000				(70,000)		(70,000)
Interest on long-term debt	313,732				(313,732)		(313,732)
Pension expense	1,089,005				(1,089,005)		(1,089,005)
Total Governmental Activities	<u>13,241,959</u>	<u>1,314,814</u>	<u>1,234,493</u>	<u>746,343</u>	<u>(9,946,309)</u>		<u>(9,946,309)</u>
Business-type activities:							
Solid Waste	731,893	541,621	10,150			(180,122)	(180,122)
Total Business-type Activities	<u>731,893</u>	<u>541,621</u>	<u>10,150</u>	<u>0</u>		<u>(180,122)</u>	<u>(180,122)</u>
Total Primary Government	<u>\$ 13,973,852</u>	<u>1,856,435</u>	<u>1,244,643</u>	<u>746,343</u>	<u>(9,946,309)</u>	<u>(180,122)</u>	<u>(10,126,431)</u>
General revenues:							
Property taxes					\$ 8,655,475		8,655,475
Road & bridge privilege taxes					342,670		342,670
Grants and contributions not restricted to specific programs					655,928		655,928
Unrestricted interest income					41,322	1,034	42,356
Miscellaneous Revenue					716,126	12,637	728,763
Total General Revenues					<u>10,411,521</u>	<u>13,671</u>	<u>10,425,192</u>
Changes in Net Position					<u>465,212</u>	<u>(166,451)</u>	<u>298,761</u>
Net Position - Beginning					10,968,124	(184,700)	10,783,424
Net Position - Ending					<u>\$ 11,433,336</u>	<u>(351,151)</u>	<u>11,082,185</u>

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

NESHOBA COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2018

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
<b>ASSETS</b>					
Cash	\$ 2,525,030	1,131,393	1,273,792	1,695,255	6,625,470
Property tax receivable	5,801,752	482,456	1,478,992	1,078,596	8,841,796
Fines receivable (net of allowance for uncollectibles of \$4,489,322)	712,341				712,341
Intergovernmental receivables	246,151	60,834			306,985
Other receivables	12,500			23,331	35,831
Due from other funds	40,984	64,681	24,526	19,918	150,109
Advances to other funds	138,566		369,697		508,263
Total Assets	<u>\$ 9,477,324</u>	<u>1,739,364</u>	<u>3,147,007</u>	<u>2,817,100</u>	<u>17,180,795</u>
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 167,263	51,487	35,520	29,257	283,527
Intergovernmental payables	254,669				254,669
Due to other funds	78,229				78,229
Advances from other funds				18,800	18,800
Other payables	37,931				37,931
Total Liabilities	<u>538,092</u>	<u>51,487</u>	<u>35,520</u>	<u>48,057</u>	<u>673,156</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	5,801,752	482,456	1,478,992	1,078,596	8,841,796
Unavailable revenue - fines	712,341				712,341
Total Deferred Inflows of Resources	<u>6,514,093</u>	<u>482,456</u>	<u>1,478,992</u>	<u>1,078,596</u>	<u>9,554,137</u>
Fund balances:					
Nonspendable:					
Advances	138,566				138,566
Restricted for:					
General government				95,311	95,311
Public safety				1,228,921	1,228,921
Public works		1,205,421	1,632,495	61,565	2,899,481
Culture and recreation				87,699	87,699
Debt service				216,951	216,951
Unassigned	2,286,573				2,286,573
Total Fund Balances	<u>2,425,139</u>	<u>1,205,421</u>	<u>1,632,495</u>	<u>1,690,447</u>	<u>6,953,502</u>
Total Liabilities and Fund Balances	<u>\$ 9,477,324</u>	<u>1,739,364</u>	<u>3,147,007</u>	<u>2,817,100</u>	<u>17,180,795</u>

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

NESHOBA COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2018

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,953,502
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 \$20,256,279.	23,904,064
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	712,341
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,437,402)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,183,869)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(38,831)
Deferred amount on refunding	136,108
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	711,348
Deferred inflows of resources related to pensions	<u>(323,925)</u>
Total Net Position - Governmental Activities	\$ <u><u>11,433,336</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
 For the Year Ended September 30, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
<b>REVENUES</b>					
Property taxes	\$ 5,502,534	505,600	1,510,266	1,137,075	8,655,475
Road and bridge privilege taxes		342,670			342,670
Licenses, commissions and other revenue	257,170			7,211	264,381
Fines and forfeitures	325,806			500	326,306
Intergovernmental revenues	1,080,317	644,624		911,823	2,636,764
Charges for services	179,156			332,149	511,305
Interest income	21,002	6,014	6,371	7,935	41,322
Miscellaneous revenues	280,341	11,639		424,146	716,126
Total Revenues	<u>7,646,326</u>	<u>1,510,547</u>	<u>1,516,637</u>	<u>2,820,839</u>	<u>13,494,349</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,690,726			8,588	3,699,314
Public safety	3,258,121			472,928	3,731,049
Public works		1,550,257	1,280,019	1,580,108	4,410,384
Health and welfare	103,798				103,798
Culture and recreation	506,066			39,714	545,780
Conservation of natural resources	111,073				111,073
Economic development and assistance	70,000				70,000
Debt service:					
Principal	170,666	72,297	60,665	1,231,481	1,535,109
Interest	70,938	2,017	7,332	241,953	322,240
Total Expenditures	<u>7,981,388</u>	<u>1,624,571</u>	<u>1,348,016</u>	<u>3,574,772</u>	<u>14,528,747</u>
Excess of Revenues over (under) Expenditures	<u>(335,062)</u>	<u>(114,024)</u>	<u>168,621</u>	<u>(753,933)</u>	<u>(1,034,398)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	283,142		65,826		348,968
Proceeds from sale of capital assets	5,673	4,872	791	23,752	35,088
Transfers in				16,355	16,355
Transfers out				(16,355)	(16,355)
Total Other Financing Sources and Uses	<u>288,815</u>	<u>4,872</u>	<u>66,617</u>	<u>23,752</u>	<u>384,056</u>
Net Changes in Fund Balances	<u>(46,247)</u>	<u>(109,152)</u>	<u>235,238</u>	<u>(730,181)</u>	<u>(650,342)</u>
Fund Balances - Beginning	<u>2,471,386</u>	<u>1,314,573</u>	<u>1,397,257</u>	<u>2,420,628</u>	<u>7,603,844</u>
Fund Balances - Ending	<u>\$ 2,425,139</u>	<u>1,205,421</u>	<u>1,632,495</u>	<u>1,690,447</u>	<u>6,953,502</u>

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

NESHOBA 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, 2018

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (650,342)
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 \$1,613,973 exceeded depreciation of \$1,390,281 in the current period.	223,692
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 \$996 and the proceeds from the sale of \$35,088 in the current period.	(36,084)
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.	212,822
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 repayments of \$1,535,109 exceeded debt proceeds of \$348,968.	1,186,141
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	(12,800)
The amount of decrease in accrued interest payable	25,868
The amortization of bond deferred refunding	(24,082)
The amortization of bond premium	6,722
Some items reported in the Statement of Activities relating to the implementation of GASB 75 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,089,005)
Recording of contributions made during the year	<u>622,280</u>
Change in Net Position of Governmental Activities	<u>\$ 465,212</u>

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

NESHOBA COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2018

Exhibit 5

Business-type  
Activities -  
Enterprise Fund

Solid Waste  
Fund

ASSETS

Current assets:

Cash	\$	132,405
Accounts receivable (net of allowance for uncollectibles of \$338,370)		193,920
Total Current Assets		<u>326,325</u>

Noncurrent assets:

Capital assets:

Land and construction in progress		50,585
Other capital assets, net		350,022
Total Noncurrent Assets		<u>400,607</u>
Total Assets		<u>726,932</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		32,588
Total Deferred Outflows of Resources		<u>32,588</u>

LIABILITIES

Current liabilities:

Claims payable		12,874
Intergovernmental payables		12,283
Due to other funds		71,880
Advances from other funds		489,463
Unearned revenue		15,910
Total Current Liabilities		<u>602,410</u>

Noncurrent liabilities:

Non-capital debt:

Compensated absences payable		2,749
Net pension liability		484,518
Total Noncurrent Liabilities		<u>487,267</u>
Total Liabilities		<u>1,089,677</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		20,994
Total Deferred Inflows of Resources		<u>20,994</u>

NET POSITION

Net investment in capital assets		400,607
Unrestricted		(751,758)
Total Net Position	\$	<u>(351,151)</u>

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

NESHOBA COUNTY

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2018

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 541,621
Miscellaneous	<u>12,637</u>
Total Operating Revenues	<u>554,258</u>
Operating Expenses	
Personal services	245,754
Contractual services	150,905
Materials and supplies	72,747
Depreciation expense	50,004
Indirect administrative cost	40,984
Pension expense	<u>171,499</u>
Total Operating Expenses	<u>731,893</u>
Operating Income (Loss)	<u>(177,635)</u>
Nonoperating Revenues (Expenses)	
Interest income	1,034
Intergovernmental grants	<u>10,150</u>
Net Nonoperating Revenue (Expenses)	<u>11,184</u>
Changes in Net Position	<u>(166,451)</u>
Net Position - Beginning	<u>(184,700)</u>
Net Position - Ending	<u>\$ (351,151)</u>

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

NESHOBA COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2018

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 516,112
Payments to suppliers	(180,780)
Payments to employees	(274,627)
Other operating cash receipts	12,637
Net Cash Provided (Used) by Operating Activities	<u>73,342</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	10,150
Cash paid to other funds:	
Interfund loan repayments	(100,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(89,850)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,034
Net Cash Provided (Used) by Investing Activities	<u>1,034</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,474)
Cash and Cash Equivalents at Beginning of Year	<u>147,879</u>
Cash and Cash Equivalents at End of Year	<u>\$ 132,405</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(177,635)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	50,004
Provision for uncollectible accounts	65,286
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(93,392)
Increase (decrease) in intergovernmental payables	12,283
Increase (decrease) in claims payable	(307)
Increase (decrease) in pension liability and deferred outflows/inflows, net	141,889
Increase (decrease) in compensated absences liability	737
Increase (decrease) in unearned revenue	2,597
Increase (decrease) in interfund payables	71,880
Total Adjustments	<u>250,977</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 73,342</u>

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

NESHOBA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2018

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 153,517
Total Assets	\$ <u>153,517</u>
<b>LIABILITIES</b>	
Intergovernmental payables	153,517
Total Liabilities	\$ <u>153,517</u>

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

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Neshoba 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 Neshoba 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 accordance with accounting principles generally accepted in the United States of America.

- Neshoba County Public Library
- Neshoba County General Hospital and Nursing Home
- Neshoba County Industrial Development Authority

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

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

##### B. Individual Component Unit Disclosures

###### Blended Component Units

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

The Neshoba County Public Improvement Corporation, which is governed by a three-member board of directors appointed by the Neshoba County Board of Supervisors. Although it is legally separate from the County, the Corporation is reported as if it were a part of the primary government because its sole purpose was to finance and construct a jail for Neshoba County prisoners. The Corporation did not have any activity for the year ended September 30, 2018.

##### C. Basis of Presentation.

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

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### 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 and 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 Position 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 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 business-type activity 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, deferred outflows, liabilities, deferred inflows, fund balances, 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 as Other Governmental Funds.

#### D. Measurement Focus and Basis of Accounting.

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

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

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.

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

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

The County reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

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.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### G. Receivables.

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

#### H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a 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. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### 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 (applicable) governmental or business-type 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Neshoba County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. Interest cost incurred during the construction of Proprietary Fund capital assets is capitalized as part of the cost of construction. Donated capital assets are recorded at their fair value at the time of donation.

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 and Proprietary Funds. 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:

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

	<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.

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 amount on refunding – For current refunding’s and advance refunding’s resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 9 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 revenue – 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 9 for additional details.

K. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees’ Retirement System of Mississippi (PERS) and additions to/deductions from PERS’ fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

with the benefit terms. Investments are reported at fair value.

L. Long-term Liabilities.

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

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

M. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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

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

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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

#### Fund Balance Flow Assumption:

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

#### N. Property Tax Revenues:

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

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

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

#### O. Intergovernmental Revenues in Governmental Funds.

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

#### P. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds 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.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$6,911,392, and the bank balance was \$6,949,053. 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, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2018:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 40,984
County Unit Road Fund	General Fund	33,785
County Unit Road Fund	Solid Waste Fund	30,896
Countywide Bridge and Culvert Fund	General Fund	24,526
Other Governmental Funds	General Fund	<u>19,918</u>
Total		\$ <u><u>150,109</u></u>

The amount due to the General Fund from the Solid Waste represents indirect administrative costs incurred during the fiscal year. The remaining receivables represents the tax revenue collected in the September 2018, but not settled until the subsequent month. 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>
General Fund	Other Governmental Funds	\$ 18,800
General Fund	Solid Waste Fund	119,766
Countywide Bridge and Culvert Fund	Solid Waste Fund	<u>369,697</u>
Total		\$ <u><u>508,263</u></u>

The amount due to the General Fund from Other Governmental Funds represents an amount used to cover the remainder of a principal payment for the Courthouse Renovation Bond. The amount due from the Solid Waste Fund to the General Fund represents indirect administrative costs incurred in prior fiscal years. The amount due from the Solid Waste Fund to the Countywide Bridge and Culvert Fund represents unpaid payroll and other operating expenses from prior year.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>16,355</u>

The principal purpose of the transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 141,435
Emergency Management Performance Grants	28,209
Charges for housing prisoners	21,107
Liquor privilege tax	1,575
DUI grant reimbursement	2,840
Additional privilege tax	24,138
Reimbursement for foodstamps and welfare	3,326
Youth court reimbursement	733
Drug court reimbursement	8,085
District Attorney's Office	14,703
Privilege tax	5,757
Gas Tax	<u>55,077</u>
Total Governmental Activities	\$ <u>306,985</u>

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2018:

**Governmental activities:**

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 434,373	48,260	5,360		477,273
Construction in progress	1,796,806	488,534		(560,450)	1,724,890
Total non-depreciable capital assets	<u>2,231,179</u>	<u>536,794</u>	<u>5,360</u>	<u>(560,450)</u>	<u>2,202,163</u>
<u>Depreciable capital assets:</u>					
Infrastructure	13,617,462			560,450	14,177,912
Building	8,490,698	454,246			8,944,944
Improvements other than buildings	5,066,737	53,809			5,120,546
Mobile equipment	8,384,641	200,921	157,689	193,114	8,620,987
Furniture and equipment	1,960,019	19,235			1,979,254
Leased property under capital leases	2,958,683	348,968		(193,114)	3,114,537
Total depreciable capital assets	<u>40,478,240</u>	<u>1,077,179</u>	<u>157,689</u>	<u>560,450</u>	<u>41,958,180</u>
<u>Less accumulated depreciation:</u>					
Infrastructure	3,969,282	423,761			4,393,043
Building	3,439,904	168,078			3,607,982
Improvements other than buildings	2,926,174	183,055			3,109,229
Mobile equipment	6,651,954	255,013	126,965	104,279	6,884,281
Furniture and equipment	1,508,234	90,835			1,599,069
Leased property under capital leases	497,415	269,539		(104,279)	662,675
Total accumulated depreciation	<u>18,992,963</u>	<u>1,390,281</u>	<u>126,965</u>	<u>-</u>	<u>20,256,279</u>
Total depreciable capital assets, net	<u>21,485,277</u>	<u>(313,102)</u>	<u>30,724</u>	<u>560,450</u>	<u>21,701,901</u>
Governmental activities capital assets, net	<u>\$ 23,716,456</u>	<u>223,692</u>	<u>36,084</u>	<u>-</u>	<u>23,904,064</u>

**Business-type activities:**

	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>				
Land	\$ 50,585			50,585
Total non-depreciable capital assets	<u>50,585</u>	<u>0</u>	<u>0</u>	<u>50,585</u>
<u>Depreciable capital assets:</u>				
Mobile equipment	1,000,003			1,000,003
Total depreciable capital assets	<u>1,000,003</u>	<u>0</u>	<u>0</u>	<u>1,000,003</u>
<u>Less accumulated depreciation:</u>				
Mobile equipment	599,977	50,004		649,981
Total accumulated depreciation	<u>599,977</u>	<u>50,004</u>	<u>0</u>	<u>649,981</u>
Total depreciable capital assets, net	<u>400,026</u>	<u>(50,004)</u>	<u>0</u>	<u>350,022</u>
Business-type activities capital assets, net	<u>\$ 450,611</u>	<u>(50,004)</u>	<u>0</u>	<u>400,607</u>

\*Adjustments are to reflect certain routine reclassifications of assets for which the related capital lease was paid off. Additionally, adjustments were made to transfer construction in progress to infrastructure.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Depreciation expense was charged to the following functions:

		Amount
<b>Governmental activities:</b>		
General government	\$	305,854
Public safety		424,879
Public works		555,958
Culture and recreation		103,590
Total governmental activities depreciation expense	\$	1,390,281
<b>Business-type activities:</b>		
Solid waste	\$	50,004

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

Description of Commitment		Remaining Financial Commitment	Expected Date of Completion
State Aid Bridge Replacement New Bridge #50-A100 (LSBP-50(13))	\$	25,000	03/2020
State Aid Bridge Replacement New Bridge #50-A113 (SAP-50(100) 624)		22,000	03/2020
State Aid Bridge Replacement New Bridge .025 Miles on Count Road 832 (HMPG #4175-0039 832)		600,000	11/2019
State Aid Road Reconstruction 0.70 Miles on County Road 832 (EFL - 0050 (34)B 832)		450,000	03/2020
State Aid Bridge Replacement New Bridge #50-A036 /LSBP-50(14) 705		1,000,000	12/2021

(6) 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, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As Lessee:

The County has entered into numerous agreements to lease office and storage space which are classified as operating leases. These agreements generally are renewable on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Expenditures for rental of office and storage space under operating leases for the year ended September 30, 2018 amounted to \$18,534.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

Classes of Property		Governmental
Improvements other than building	\$	1,560,000
Mobile equipment		1,153,611
Furniture and equipment		400,926
Total		3,114,537
Less: Accumulated depreciation		(662,675)
Leased Property Under Capital Leases	\$	<u>2,451,862</u>

The following is a schedule by years of the total payments due as of September 30, 2018:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2019	\$ 413,207	64,128
2020	304,370	50,690
2021	361,067	43,668
2022	126,465	37,234
2023	113,279	33,645
2024 - 2028	580,304	117,559
2029 - 2033	<u>484,145</u>	<u>27,626</u>
Total	\$ <u>2,382,837</u>	<u>374,550</u>

(9) Defined Benefit Pension Plan.

*General Information about the Pension Plan*

Plan Description. Neshoba County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That 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



NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Year ending September 30	Amount
2019	\$ 234,428
2020	135,006
2021	(98,950)
2022	(47,976)
Total	<u>\$ 222,508</u>

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

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 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 14,047,205	10,668,387	7,860,144

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

(10) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Road and Bridge Bonds, Series 2009	\$ 945,000	3.00/3.38%	05/2024
Recreational Facilities Refunding Bonds, Series 2013	1,905,000	2.00/2.50%	06/2025
Refunding Bonds, Series 2011	835,000	3.00/3.50%	10/2021
Series 2013 (EOC and Solid Waste)	<u>1,160,000</u>	2.00/2.75%	05/2031
Total General Obligation Bonds	<u>\$ 4,845,000</u>		
B. Capital Leases:			
Court case management system	\$ 7,772	2.14%	05/2019
Unified communication system	50,089	2.14%	09/2019
(2) New Holland cab tractors/boom mowers	23,456	1.65%	08/2021
Caterpillar Excavator 307E	69,744	1.86%	07/2021
Caterpillar Excavator 323F	166,220	1.86%	07/2021
JCB Backhoe 3CX14	70,159	1.86%	07/2021
2016 Ambulance	31,462	1.71%	06/2019
2017 Ambulance	89,928	1.95%	07/2020
Broom Sweeper	36,365	2.20%	05/2022
Jail Management system	40,428	2.34%	04/2022
Energy Conservation Project	1,555,729	2.99%	05/2032
(5) Interceptors, (3) Ford F-150s, and (2) Ford F-250s	194,045	2.02%	09/2020
Jail Surveillance System	<u>47,440</u>	3.48%	06/2019
Total Capital Leases	<u>\$ 2,382,837</u>		
C. Other Loans:			
MDA Capital Improvements Revolving Loan	<u>\$ 3,039,395</u>	2.00%	01/2033

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

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

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2019	\$ 735,000	124,510	184,654	58,997
2020	760,000	104,682	188,381	55,270
2021	790,000	83,094	192,183	51,467
2022	515,000	65,605	196,063	47,588
2023	530,000	53,105	200,020	43,631
2024 - 2028	1,205,000	105,335	1,062,312	155,940
2029 - 2033	310,000	17,188	1,015,782	45,264
Total	\$ 4,845,000	553,519	3,039,395	458,157

**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, 2018, the amount of outstanding debt was equal to 2.67% of the latest property assessments.

**Prior Year Defeasance of Debt** - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2018, \$2,905,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 115,393	12,800		128,193	
Claims and judgments					
General obligation bonds	5,800,000		955,000	4,845,000	735,000
Add:					
Premiums	48,699		6,722	41,977	
Capital leases	2,432,978	348,968	399,109	2,382,837	413,207
Other loans	3,220,395		181,000	3,039,395	184,654
Total	\$ 11,617,465	361,768	1,541,831	10,437,402	1,332,861
<b>Business-type Activities:</b>					
Compensated absences	\$ 2,012	737	0	2,749	

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, County Unit Road Maintenance Fund, Countywide Bridge and Culvert Fund, and Solid Waste Fund.

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(11) 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.

(12) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(6,787,159) 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 \$168,492 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, 2019. The \$542,856 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$323,925 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position amount of \$(751,758) 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 \$8,017 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, 2019. The \$24,571 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$20,994 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

The governmental activities' net investment in capital assets net position of \$13,730,963 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. \$136,108 of the \$847,456 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the net investment in capital assets net position over the next seven years.

(13) Related Organizations.

The Neshoba County Board of Supervisors created districts to provide fire protection services to the County. The Board appoints the commissioners of each district, but the County's accountability for the district does not extend making the appointments. Each district receives an equal amount of the avails of a two mill tax levy on the real property in the County, which provides an annual appropriation from the County in the amount of \$10,000. These funds are spent through the purchasing system of the County via the County Fire Coordinator. Additionally, the County provides workers' compensation coverage for volunteer firefighters and maintains liability insurance on all fire department apparatus. Neshoba County provided \$110,860 for the operation of the 12 districts in fiscal year 2018.

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

District	Enabling Legislation	Funding
Arlington Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	10,000
County Line Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	10,000
Dixon Community Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	10,000
East Neshoba Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	10,000
Fairview Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	10,000
Hope Community Fire Department	19-5-151, Miss. Code Ann. (1972)	10,000
House Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	10,000
Linwood Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	10,000
Longino Central Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	10,000
North Bend Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	10,000
Stallo Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	10,000
Tucker Community Volunteer Fire Co.	19-5-151, Miss. Code Ann. (1972)	10,000

(14) Joint Ventures.

The County participates in the following joint venture:

Neshoba County is a participant with Neshoba County General Hospital and Nursing Home in a joint venture, authorized by Section 45-55-1, Miss. Code Ann. (1972), to operate the Neshoba County Ambulance Enterprise. The joint venture was created to provide the operation of a public ambulance service to the citizens of the county. The joint venture is controlled by a five member Enterprise Management Committee including Hospital Chief Executive Officer, Hospital Chief Financial Officer, Hospital Director of Ambulance, County Emergency Management Director, and County Administrator. The County provided no direct financial support in fiscal year 2018, but was liable for capital leases on two ambulances with an outstanding principal balance at year-end of \$121,390. This debt is retired with payments received from the hospital.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Neshoba County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County appropriated \$628,753 for the maintenance and support of the college in fiscal year 2018.

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren, and Yazoo. The Neshoba County Board of Supervisors appoints two of the 26 board members. The County provided no financial support in fiscal year 2018.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$15,000 to support the district in fiscal year 2018.

Region Ten, Weems Community Mental Health operates in district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott, and Smith. The Neshoba County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$21,600 for support of the commission in fiscal year 2018.

The Philadelphia-Neshoba County Museum council is composed of five members, two of which are appointed by the Board of Supervisors. The County appropriated \$9,750 in financial support to the council in fiscal year 2018.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

The Philadelphia-Neshoba Tourism Council was created by the Mississippi Legislature for the promotion of tourism and economic development in the City of Philadelphia and Neshoba County. The Board of Supervisors appoints two of the five members of the council. The County provided no financial support to the tourism council in fiscal year 2018.

(16) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB), implemented Statement 77, Tax Abatement Disclosures. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Neshoba County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had a tax abatement agreement with one entity as of September 30, 2018.

The County had one type of abatement, which does not provide for the abatement of school or state tax levies:

Section 27-31-101, Miss. Code (Ann.) 1972

<u>All allowable property tax levies</u> <u>Category</u>	<u>% of Taxes Abated</u>	<u>Amount of Taxes</u> <u>Abated During the year</u>
Construction and expansion of a manufacturing facility	58%	\$ 534,414

The company was not required to comply with any special provisions in order to receive the abatement, and the County made no commitments as part of the agreement other than to reduce taxes.

(17) 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 Neshoba County evaluated the activity of the County through April 6, 2020, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2018, the County issued the following debt obligations:

<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Amount</u>	<u>Type of</u> <u>Financing</u>	<u>Source of</u> <u>Financing</u>
12/06/2018	3.32%	\$ 158,500	Capital lease	Ad valorem taxes
02/04/2019	4.14%	900,000	Capital lease	Ad valorem taxes

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2018  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,720,173	5,508,441	5,508,441	
Licenses, commissions and other revenue	246,125	246,868	246,868	
Fines and forfeitures	321,600	284,510	284,510	
Intergovernmental revenues	1,166,500	1,295,692	1,295,692	
Charges for services	145,000	163,416	163,416	
Interest income	8,900	20,820	20,820	
Miscellaneous revenues	143,500	312,011	312,011	
Total Revenues	<u>7,751,798</u>	<u>7,831,758</u>	<u>7,831,758</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,438,726	3,291,223	3,291,223	
Public safety	3,075,416	2,955,861	2,955,861	
Health and welfare	103,197	103,449	103,449	
Culture and recreation	502,679	507,358	507,358	
Education	275,000	276,711	276,711	
Conservation of natural resources	66,445	113,586	113,586	
Economic development and assistance	112,900	524,246	524,246	
Debt service:				
Principal		168,343	168,343	
Interest		73,261	73,261	
Total Expenditures	<u>7,574,363</u>	<u>8,014,038</u>	<u>8,014,038</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>177,435</u>	<u>(182,280)</u>	<u>(182,280)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		206,482	206,482	
Other financing uses		(169,471)	(169,471)	
Total Other Financing Sources and Uses	<u>0</u>	<u>37,011</u>	<u>37,011</u>	<u>0</u>
Net Change in Fund Balance	177,435	(145,269)	(145,269)	
Fund Balances - Beginning	<u>920,000</u>	<u>2,299,129</u>	<u>2,299,129</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,097,435</u>	<u>2,153,860</u>	<u>2,153,860</u>	<u>0</u>

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

NESHOBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County Unit Road Fund  
 For the Year Ended September 30, 2018  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 486,277	505,953	505,953	
Licenses, commissions and other revenue	350,000	344,543	344,543	
Intergovernmental revenues	490,000	644,960	644,960	
Interest income	2,000	6,015	6,015	
Miscellaneous revenues		16,510	16,510	
Total Revenues	<u>1,328,277</u>	<u>1,517,981</u>	<u>1,517,981</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,594,089	1,935,253	1,935,254	
Debt service:				
Principal		72,297	72,297	
Interest		2,017	2,017	
Total Expenditures	<u>1,594,089</u>	<u>2,009,567</u>	<u>2,009,568</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(265,812)</u>	<u>(491,586)</u>	<u>(491,587)</u>	<u>0</u>
Net Change in Fund Balance	(265,812)	(491,586)	(491,587)	
Fund Balances - Beginning	<u>1,000,000</u>	<u>1,622,979</u>	<u>1,622,979</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 734,188</u>	<u>1,131,393</u>	<u>1,131,392</u>	<u>0</u>

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

NESHOBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2018  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,479,318	1,510,087	1,510,087	
Intergovernmental revenues	19,000			
Interest income	2,000	6,371	6,371	
Miscellaneous revenues		791	791	
Total Revenues	<u>1,500,318</u>	<u>1,517,249</u>	<u>1,517,249</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,432,477	1,198,994	1,198,994	
Debt service:				
Principal		60,665	60,665	
Interest		7,332	7,332	
Total Expenditures	<u>1,432,477</u>	<u>1,266,991</u>	<u>1,266,991</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>67,841</u>	<u>250,258</u>	<u>250,258</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		100,000	100,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
Net Change in Fund Balance	67,841	350,258	350,258	
Fund Balances - Beginning	<u>800,000</u>	<u>923,534</u>	<u>923,534</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 867,841</u>	<u>1,273,792</u>	<u>1,273,792</u>	<u>0</u>

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

NESHOBA COUNTY  
 Schedule of the County's Proportionate Share of the Net Pension Liability  
 Last 10 Fiscal Years\*  
 For the Year Ended September 30, 2018  
 UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.064140%	0.060444%	0.0595%	0.0635%
County's proportionate share of the net pension liability (asset)	\$ 10,668,387	10,047,844	10,628,186	9,815,848
Covered payroll	\$ 4,095,955	3,877,536	3,806,398	3,951,341
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.46%	259.13%	279.22%	248.42%
Plan fiduciary net position as a percentage of the total pension liability	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.

NESHOBA COUNTY  
 Schedule of County Contributions  
 Last 10 Fiscal Years\*  
 For the Year Ended September 30, 2018  
 UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 651,891	622,113	614,159	612,694
Contributions in relation to the contractually required contribution	<u>651,891</u>	<u>622,113</u>	<u>614,159</u>	<u>612,694</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 4,138,978	3,949,912	3,899,422	3,890,123
Contributions as a percentage of covered payroll	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.

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2020

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 each major Special Revenue Fund:

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>County Unit Road Fund</u>	<u>County wide Bridge Fund</u>
Budget (Cash Basis)	\$ (145,269)	(491,587)	350,258
Increase (Decrease)			
Net adjustments for revenue accruals	(103,099)	(2,562)	(33,995)
Net adjustments for expenditure accruals	<u>202,121</u>	<u>384,997</u>	<u>(81,025)</u>
GAAP Basis	<u>\$ (46,247)</u>	<u>(109,152)</u>	<u>235,238</u>

NESHOBA COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2020

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%.

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.

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	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

NESHOBA COUNTY

OTHER INFORMATION

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2018  
UNAUDITED

Name	Position	Company	Bond
Keith Lillis	Supervisor District 1	Travelers Casualty and Surety of America	\$100,000
Kevin Cumberland	Supervisor District 2	Travelers Casualty and Surety of America	\$100,000
Jerry Goforth	Supervisor District 3	Travelers Casualty and Surety of America	\$100,000
Allen White	Supervisor District 4	Travelers Casualty and Surety of America	\$100,000
Obbie Riley	Supervisor District 5	Travelers Casualty and Surety of America	\$100,000
Jeff Mayo	County Administrator	Travelers Casualty and Surety of America	\$100,000
Guy Nowell	Chancery Clerk	Travelers Casualty and Surety of America	\$100,000
Melissa Johnson	Purchase Clerk	Travelers Casualty and Surety of America	\$75,000
Jeff Mayo	Assistant Purchase Clerk	Travelers Casualty and Surety of America	\$50,000
Pam Cheatam	Receiving Clerk	Travelers Casualty and Surety of America	\$75,000
Rhonda Williamson	Assistant Receiving Clerk	Travelers Casualty and Surety of America	\$50,000
Brenda Nowell	Inventory Control Clerk	Travelers Casualty and Surety of America	\$75,000
Eddie Posey	Road Manager	Travelers Casualty and Surety of America	\$50,000
Paul Payne	Constable	Travelers Casualty and Surety of America	\$50,000
Kenneth Spears	Constable	Travelers Casualty and Surety of America	\$50,000
Patti Duncan Lee	Circuit Clerk	Travelers Casualty and Surety of America	\$100,000
Tammy Clemons	Deputy Circuit Clerk	Travelers Casualty and Surety of America	\$50,000
Jennifer Glass	Deputy Circuit Clerk	Travelers Casualty and Surety of America	\$50,000
Tommy Waddell	Sheriff	Travelers Casualty and Surety of America	\$100,000
Steve Cumberland	Justice Court Judge	Travelers Casualty and Surety of America	\$50,000
Johnathan Spears	Justice Court Judge	Travelers Casualty and Surety of America	\$50,000
Kathy Warren	Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Vermanda Fuller	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Jean Nowell	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Hattie Home	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Mike Lewis	Tax Assessor-Collector	Travelers Casualty and Surety of America	\$100,000
Comisha Moore	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Kay Dearing	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Lakesha Jones	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Annie Peeble	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Karen Butler	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

SPECIAL REPORTS

NESHOBA COUNTY

(This page left blank intentionally.)



**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  
Neshoba 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, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi (the County), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 6, 2020. 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 Neshoba County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neshoba 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

We noted certain matters that we reported to the management of Neshoba County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 6, 2020, included within this document.

## 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

April 6, 2020



**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, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have examined Neshoba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Neshoba 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 Neshoba County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Neshoba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

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

This report is intended for use in evaluating Neshoba 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

April 6, 2020

NESHOBA COUNTY

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2018

Schedule 1

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

NESHOBA COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2018

Schedule 2

Our tests did not identify any emergency purchases.

NESHOBA COUNTY  
Schedule of Purchases Made Noncompetively From a Sole Source  
For the Year Ended September 30, 2018

Schedule 3

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
7/2/2018	DSM Time and Attendance Graphical Payroll System	\$	8,000	Data Systems Management, Inc.

NESHOBA COUNTY

(This page left blank intentionally.)



**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  
Neshoba County, Mississippi

In planning and performing our audit of the financial statements of Neshoba County, Mississippi for the year ended September 30, 2018, we considered Neshoba 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 Neshoba 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 April 6, 2020, on the financial statements of Neshoba 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, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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.**

<b>1.</b>	<u>Controls over repayment of interfund advances should be strengthened.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	The Mississippi Code is silent regarding the authority of the County to make interfund loans.
<b>Condition</b>	As reported in the prior five years' audit reports, the County has interfund loans outstanding that are over a year old. These interfund loans totaled \$508,263 as of September 30, 2018. These advances include a loan to make a debt service payment as well as unpaid indirect costs and payroll expenses associated with garbage collection activities.
<b>Cause</b>	Deficiency of controls requiring the repayment of interfund loans.

**Effect** Failure to repay these loans constitutes a diversion of legally-restricted funds.

**Recommendation** The Board of Supervisors should ensure that these old interfund advances are repaid.

**Views of Responsible Official(s)** Neshoba has continued and will continue to work toward repayment of these previous old interfund advances.

**Circuit Clerk.**

**2.** Cash should be available in all funds before disbursements are made.

**Repeat Finding** No

**Criteria** Section 25-7-13(I)(J), Miss. Code Ann. (1972), requires the Circuit Clerk to collect a fee for taking and recording application for marriage license, for filing and recording consent of parents when required by law, for filing and recording medical certificate, filing and recording proof of age, recording and issuing license, recording and filing returns. The clerk shall deposit Fourteen Dollars (\$14.00) of each fee collected for a marriage license in the Victims of Domestic Violence Fund established in Section 93-21-117, on a monthly basis. In addition, for certified copy of marriage licenses and search of records, the same fee charged by the Bureau of Vital Statistics of the State Board of Health.

**Condition** During audit test work it was noted that the Circuit Clerks failed to collect the marriage license fee on three marriage licenses.

**Cause** The Circuit Clerk did not comply state laws.

**Effect** Failure to collect the fee for recording a marriage license resulted in the loss of fee revenue for the clerk and the state.

**Recommendation** We recommend that the Circuit Clerk comply with Section 25-7-13, Miss. Code Ann. (1972) by developing controls to ensure the immediate collection of all marriage license fees.

**Views of Responsible Official(s)** The fee will now be collected at the time of the application is taken and the option to pay when picking up the license will end. Diminishing the possibility of one deputy taking the application and another issuing the license without verifying the fee was collected. This office will begin putting receipt numbers on the applications to further ensure the collection of fees.

Neshoba 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 and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA  
 Director, County Audit Section

April 6, 2020

NESHOBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

Schedule of Findings and Reponses  
For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

***Financial Statements:***

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
County Unit Road Fund	Unmodified
Countywide Bridge and Culvert Fund	Unmodified
Aggregate remaining fund information	Unmodified
  
2. Internal control over financial reporting:
  - a. Material weakness identified? No
  - b. Significant deficiency identified? None Reported
  
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Governmental Auditing Standards*.