

NESHOBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2013



STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

May 7, 2015

Members of the Board of Supervisors
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 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 J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

NESHOBA COUNTY

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NESHOBA COUNTY

FINANCIAL SECTION

NESHOBA COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, 2013, 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 is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Neshoba County, Mississippi, as of September 30, 2013, 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 previously 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, 2013, 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Neshoba County, Mississippi’s basic financial statements. The accompanying 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 May 7, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neshoba County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "William R. Doss" followed by a horizontal line extending to the right.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 7, 2015

NESHOBA COUNTY

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NESHOBA COUNTY

FINANCIAL STATEMENTS

NESHOBA COUNTY

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NESHOBA COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,508,752	412,813	4,921,565
Property tax receivable	5,752,940		5,752,940
Accounts receivable (net of allowance for uncollectibles of \$171,947)		122,415	122,415
Fines receivable (net of allowance for uncollectibles of \$2,448,692)	178,940		178,940
Intergovernmental receivables	290,635		290,635
Other receivables	37,171		37,171
Internal balances	1,033,968	(1,033,968)	0
Deferred charges - bond issuance costs	190,814		190,814
Capital assets:			
Land and construction in progress	1,117,548	50,585	1,168,133
Other capital assets, net	20,855,198	151,632	21,006,830
Total Assets	33,965,966	(296,523)	33,669,443
LIABILITIES			
Claims payable	731,760	3,695	735,455
Retainage payable	9,337		9,337
Intergovernmental payables	303,623		303,623
Accrued interest payable	136,445		136,445
Deferred revenue	5,752,940		5,752,940
Unearned revenue		11,308	11,308
Other payables	46,461		46,461
Long-term liabilities			
Due within one year:			
Capital debt	1,071,966		1,071,966
Non-capital debt	460,000		460,000
Due in more than one year:			
Capital debt	12,425,123		12,425,123
Non-capital debt	1,062,519	4,566	1,067,085
Total Liabilities	22,000,174	19,569	22,019,743
NET POSITION			
Net investment in capital assets	8,475,657	202,217	8,677,874
Restricted for:			
Expendable:			
General government	42,350		42,350
Public safety	929,287		929,287
Public works	2,589,092		2,589,092
Culture and recreation	30,982		30,982
Economic development and assistance	1,441		1,441
Debt service	296,147		296,147
Unrestricted	(399,164)	(518,309)	(917,473)
Total Net Position	\$ 11,965,792	(316,092)	11,649,700

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

NESHOBA COUNTY
Statement of Activities
For the Year Ended September 30, 2013

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 Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,795,196	487,082	43,037		(4,265,077)		(4,265,077)
Public safety	3,206,276	527,402	247,248		(2,431,626)		(2,431,626)
Public works	4,161,095		2,533,223	247,144	(1,380,728)		(1,380,728)
Health and welfare	117,937		164,148		46,211		46,211
Culture and recreation	718,806				(718,806)		(718,806)
Conservation of natural resources	63,311				(63,311)		(63,311)
Economic development and assistance	137,050				(137,050)		(137,050)
Interest on long-term debt	489,119				(489,119)		(489,119)
Paying agent fees	7,258				(7,258)		(7,258)
Total Governmental Activities	13,696,048	1,014,484	2,987,656	247,144	9,446,764		(9,446,764)
Business-type activities:							
Solid waste	509,589	475,204	38,201			3,816	3,816
Total Business-type Activities	509,589	475,204	38,201	0		3,816	3,816
Total Primary Government	\$ 14,205,637	1,489,688	3,025,857	247,144	9,446,764	3,816	(9,442,948)
General revenues:							
Property taxes					\$ 7,813,359		7,813,359
Road & bridge privilege taxes					329,854		329,854
Grants and contributions not restricted to specific programs					739,749		739,749
Unrestricted interest income					6,541	58	6,599
Miscellaneous					611,316		611,316
Gain (Loss) on sale of capital assets						51,833	51,833
Total General Revenues					9,500,819	51,891	9,552,710
Changes in Net Position					54,055	55,707	109,762
Net Position - Beginning, as previously reported					12,029,337	(371,799)	11,657,538
Prior period adjustment					(117,600)		(117,600)
Net Position - Beginning, as restated					11,911,737	(371,799)	11,539,938
Net Position - Ending					\$ 11,965,792	(316,092)	11,649,700

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

	Major Funds							Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund	2013 EOC/ Solid Waste Construction Fund	State Aid Road Reseal Project Fund	Other Governmental Funds		
ASSETS								
Cash	\$ 440,158	209,696	348,737	1,200,427	513,562	1,796,172	4,508,752	
Property tax receivable	3,291,000	315,000	980,000			1,166,940	5,752,940	
Fines receivable (net of allowance for uncollectibles of \$2,448,692)	178,940						178,940	
Intergovernmental receivables	187,431	26,397			76,807	28,630	290,635	
Other receivables	8,541						37,171	
Due from other funds	58,198	174,179	176,815			22,576	431,768	
Advances to other funds	647,247	86,362					733,609	
Total Assets	\$ 4,811,515	811,634	1,505,552	1,200,427	590,369	3,014,318	11,933,815	
LIABILITIES								
Liabilities:								
Claims payable	\$ 131,931	148,687	4,418		193,272	253,452	731,760	
Retainage payable	294,772					9,337	9,337	
Intergovernmental payables	82,581						294,772	
Due to other funds	32,229	6,650				18,800	101,381	
Advances from other funds	3,469,940	315,000	980,000			1,166,940	38,879	
Deferred revenue	46,461						5,931,880	
Other payables							46,461	
Total Liabilities	\$ 4,057,914	470,337	984,418	0	193,272	1,448,529	7,154,470	
Fund balances:								
Nonspendable:								
Advances	647,247						647,247	
Restricted for:								
General government						42,350	42,350	
Public safety						929,287	929,287	
Public works		341,297	521,134	1,200,427	397,097	129,137	2,589,092	
Culture and recreation						30,982	30,982	
Economic development and assistance						1,441	1,441	
Debt service						432,592	432,592	
Unassigned	106,354						106,354	
Total Fund Balances	753,601	341,297	521,134	1,200,427	397,097	1,565,789	4,779,345	
Total Liabilities and Fund Balances	\$ 4,811,515	811,634	1,505,552	1,200,427	590,369	3,014,318	11,933,815	

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

NESHOBA COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,779,345
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 \$14,257,523.	21,972,746
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	178,940
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,019,608)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(136,445)
Deferred charges - bond issuance costs	<u>190,814</u>
Total Net Position - Governmental Activities	<u>\$ 11,965,792</u>

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

NESHOBA COUNTY
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2013

	Major Funds										Total Governmental Funds	
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund	2013 EOC/ Solid Waste Construction Fund	State Aid Road Reseal Project Fund	Other Governmental Funds						
REVENUES												
Property taxes	\$ 4,695,736	467,109	1,235,381			1,415,133					7,813,359	
Road and bridge privilege taxes	246,466	329,854				8,415					329,854	
Licenses, commissions and other revenue	293,224					26,551					254,881	
Fines and forfeitures	1,065,384	565,364				538,742					3,974,549	
Intergovernmental revenues	145,659				1,805,059	304,619					450,278	
Charges for services	2,539	152	658	427		2,765					6,541	
Interest income	211,032	97,121				303,163					611,316	
Miscellaneous revenues	6,660,040	1,459,600	1,236,039	427	1,805,059	2,599,388					13,760,553	
Total Revenues												
EXPENDITURES												
Current:												
General government	3,054,931										3,054,931	
Public safety	2,503,820					1,000,011					3,503,831	
Public works		1,252,743	894,659		1,407,962	269,133					3,824,497	
Health and welfare	117,937										117,937	
Culture and recreation	540,379					67,172					607,551	
Conservation of natural resources	63,311										63,311	
Economic development and assistance	63,252					73,798					137,050	
Debt service:												
Principal	1,217,298		96,104			1,142,803					2,456,205	
Interest	36,349		20,677			351,695					408,721	
Bond issue costs				30,000		82,797					112,797	
Total Expenditures	7,597,277	1,252,743	1,011,440	30,000	1,407,962	2,987,409					14,286,831	
Excess of Revenues over (under) Expenditures	(937,237)	206,857	224,599	(29,573)	397,097	(388,021)					(526,278)	

NESHOBA COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

Exhibit 4 Cont'd

	Major Funds							Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund	2013 EOC/ Solid Waste Construction Fund	State Aid Road Reseal Project Fund	Other Governmental Funds		
OTHER FINANCING SOURCES (USES)								
Long-term capital debt issued	135,390			1,500,000		226,506		1,861,896
Refunding bonds issued						2,700,000		2,700,000
Proceeds from sale of capital assets	1,212,051	6,222				3,953		1,222,226
Premiums on bonds issued						33,260		33,260
Transfers in						270,000		270,000
Transfers out				(270,000)				(270,000)
Payment to bond refunding escrow agent						(2,657,721)		(2,657,721)
Total Other Financing Sources and Uses	1,347,441	6,222	0	1,230,000	0	575,998		3,159,661
Net Changes in Fund Balances	410,204	213,079	224,599	1,200,427	397,097	187,977		2,633,383
Fund Balances - Beginning, as previously reported	460,997	128,218	296,535			1,377,812		2,263,562
Prior period adjustment	(117,600)							(117,600)
Fund Balances - Beginning, as restated	343,397	128,218	296,535	0	0	1,377,812		2,145,962
Fund Balances - Ending	\$ 753,601	341,297	521,134	1,200,427	397,097	1,565,789		4,779,345

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

NESHOBA COUNTY
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2013

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,633,383
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 \$979,333 were exceeded by depreciation of \$1,313,280 in the current period.	(333,947)
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 \$1,532,710 and the proceeds from the sale of \$1,222,226 in the current period.	(2,754,936)
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.	(10,450)
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 \$2,456,205 exceeded debt proceeds of \$1,861,896.	594,309
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.	(23,906)
The amount of increase in accrued interest payable	(35,459)
The amortization of bond issuance costs	(21,661)
The amortization of bond deferred refunding	(14,571)
The amortization of bond premium	2,542
Bond issuance cost on general obligation bond	30,000
Issuance of refunding bonds	(2,700,000)
Premium on refunding bonds	(33,260)
The amortization of refunding bond premium	1,386
Payment to bond escrow agent for deferred refunding charges	2,657,721
The amortization of deferred refunding charges	(9,488)
Bond issuance cost on refunding bonds	75,539
The amortization of refunding bond issuance cost	<u>(3,147)</u>
Change in Net Position of Governmental Activities	<u>\$ 54,055</u>

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

NESHOBA COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2013

Exhibit 5

	Business-type - Activities Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 412,813
Accounts receivable (net of allowance for uncollectibles of \$171,947)	122,415
Advances to other funds	6,650
Total Current Assets	<u>541,878</u>
Noncurrent assets:	
Capital assets:	
Land	50,585
Other capital assets, net	151,632
Total Noncurrent Assets	<u>202,217</u>
Total Assets	<u>744,095</u>
LIABILITIES	
Current liabilities:	
Claims payable	3,695
Due to other funds	339,238
Advances from other funds	701,380
Unearned revenue	11,308
Total Current Liabilities	<u>1,055,621</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	4,566
Total Noncurrent Liabilities	<u>4,566</u>
NET POSITION	
Net investment in capital assets	202,217
Unrestricted	(518,309)
Total Net Position	<u>\$ (316,092)</u>

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

NESHOBA COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 475,204
Operating grants	38,201
Total Operating Revenues	<u>513,405</u>
Operating Expenses	
Personal services	234,337
Contractual services	120,599
Materials and supplies	93,344
Depreciation expense	20,234
Indirect administrative cost	39,398
Total Operating Expenses	<u>507,912</u>
Operating Income (Loss)	<u>5,493</u>
Nonoperating Revenues (Expenses)	
Interest income	58
Gain (loss) on sale of capital assets	51,833
Interest expense	<u>(1,677)</u>
Net Nonoperating Revenue (Expenses)	<u>50,214</u>
Changes in Net Position	55,707
Net Position - Beginning	<u>(371,799)</u>
Net Position - Ending	<u>\$ (316,092)</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, 2013

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 466,936
Payments to suppliers	(113,508)
Payments to employees	(30,025)
Other operating cash receipts	38,201
Net Cash Provided (Used) by Operating Activities	<u>361,604</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	37,867
Cash paid to other funds:	
Interfund loan repayments	(37,867)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	158,089
Principal paid on long-term debt	(105,261)
Interest paid on debt	(1,677)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>51,151</u>
Cash Flows From Investing Activities	
Interest on deposits	58
Net Cash Provided (Used) by Investing Activities	<u>58</u>
Net Increase (Decrease) in Cash and Cash Equivalents	412,813
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$ 412,813</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 5,493
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	20,234
Provision for uncollectible accounts	30,487
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(39,838)
Increase (decrease) in claims payable	3,441
Increase (decrease) in compensated absences liability	1,466
Increase (decrease) in unearned revenue	1,083
Increase (decrease) in interfund payables	339,238
Total Adjustments	<u>356,111</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 361,604</u>

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

NESHOPA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 158,038
Due from other funds	8,851
Total Assets	<u>\$ 166,889</u>
LIABILITIES	
Amounts held in custody for others	\$ 4,500
Intergovernmental payables	162,389
Total Liabilities	<u>\$ 166,889</u>

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

NESHOBA COUNTY

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NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Neshoba 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 of 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 units balances and transactions are blended with the balances and transactions of the primary government.

The Neshoba County Public Improvement Corporation is governed by a three-number board of directors appointed by the 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, 2013.

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, 2013

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, liabilities, fund equity, revenues and expenditures. 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, 2013

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 accounts for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge and Culvert Fund – This fund accounts for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

2013 EOC/Solid Waste Construction Fund – This fund accounts for the proceeds of 2013 Series General Obligation bond proceeds used to finance a construction project for the County’s solid waste facility.

State Aid Road Reseal Project Fund – This fund accounts for grant monies from State Aid Road that are restricted for the County’s road reseal project.

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.

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

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.

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

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.

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 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.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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:

	<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. 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

K. 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.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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.

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

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

L. Property Tax Revenues.

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

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

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

M. 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.

N. 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.

O. Changes in Accounting Standards.

The County implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities.

Explanation	Amount
Intergovernmental payable for homestead reimbursement due to various public school districts was not reported on the 9/30/2012 financial statements.	\$ <u>(117,600)</u>

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

Explanation	Amount
Intergovernmental payable for homestead reimbursement due to various public school districts was not reported on the 9/30/2012 financial statements.	\$ <u>(117,600)</u>

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$5,079,603, and the bank balance was \$3,993,539. 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. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 39,398
General Fund	Other Governmental Funds	18,800
County Unit Road Fund	General Fund	32,343
County Unit Road Fund	Solid Waste Fund	141,836
Countywide Bridge and Culvert Fund	General Fund	18,811
Countywide Bridge and Culvert Fund	Solid Waste Fund	158,004
Other Governmental Funds	General Fund	22,576
Agency Funds	General Fund	8,851
Total		<u>\$ 440,619</u>

The amount due to the General Fund from the Solid Waste Fund represents the indirect administrative cost incurred during the September 30, 2013 fiscal year. The amount due to the General Fund from the Other Governmental Funds represents an amount used to cover the remainder of a principal payment for the Courthouse Renovation Bond. The amount due to the County Unit Road Fund, Countywide Bridge and Culvert Fund, Other Governmental Funds and Agency Funds from the General Fund represents ad valorem taxes collected by the Tax Collector in September 2013 but not remitted to the County until October 2013. The amounts due from the Solid Waste Fund to the County Road Fund and Countywide Bridge and Culvert Fund represents repayments due to those funds because of diversions of legally restricted funds to the Solid Waste Fund. 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	Solid Waste Fund	\$ 647,247
County Unit Road Fund	General Fund	32,229
County Unit Road Fund	Solid Waste Fund	54,133
Solid Waste Fund	County Unit Road Fund	6,650
Total		<u>\$ 740,259</u>

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The amounts due to the General Fund and County Unit Road Fund from the Solid Waste Fund represent indirect administrative costs incurred in previous fiscal years that have never been paid to the General fund and County Unit Road Fund. The amount due to the County Unit Road Fund from the General Fund represents services provided for the coliseum in the 2011 fiscal year. The amount due to the Solid Waste Fund from the County Unit Road Fund was for an operating loan. None of these advances are expected to be paid within one year.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	2013 EOC/Solid Waste Construction Fund	\$ <u>270,000</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 129,048
Privilege tax reimbursement	25,820
Fuel tax reimbursement	23,272
Emergency management reimbursement	5,226
Office of State Aid Road reimbursement	76,807
DUI grant	20,235
Housing prisoners reimbursement	8,334
Other	<u>1,893</u>
Total Governmental Activities	\$ <u>290,635</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Balance</u> <u>Sept. 30, 2013</u>
Non-depreciable capital assets:					
Land	\$ 434,373				434,373
Construction in progress	<u>99,001</u>	<u>584,174</u>			<u>683,175</u>
Total non-depreciable capital assets	<u>533,374</u>	<u>584,174</u>	<u>0</u>	<u>0</u>	<u>1,117,548</u>
Depreciable capital assets:					
Infrastructure	13,116,372				13,116,372
Buildings	10,435,287		3,074,648		7,360,639

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Improvements other than buildings	4,934,611				4,934,611
Mobile equipment	6,746,591		115,032	45,752	6,677,311
Furniture and equipment	720,652		104,904	536,368	1,152,116
Leased property under capital leases	2,058,633	395,159		(582,120)	1,871,672
Total depreciable capital assets	38,012,146	395,159	3,294,584	0	35,112,721
<u>Less accumulated depreciation for:</u>					
Infrastructure	1,915,547	404,486			2,320,033
Buildings	3,025,247	137,662	335,358		2,827,551
Improvements other than buildings	2,034,419	175,617			2,210,036
Mobile equipment	5,248,610	287,028	103,530	24,705	5,456,813
Furniture and equipment	632,348	96,586	100,760	344,809	972,983
Leased property under capital leases	627,720	211,901		(369,514)	470,107
Total accumulated Depreciation	13,483,891	1,313,280	539,648	0	14,257,523
Total depreciable capital assets, net	24,528,255	(918,121)	2,754,936	0	20,855,198
Governmental activities capital assets, net	\$ 25,061,629	(333,947)	2,754,936	0	21,972,746
Business-type activities:					
	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 50,585				50,585
Total non-depreciable capital assets	50,585	0	0	0	50,585
<u>Depreciable capital assets:</u>					
Mobile equipment	444,403		166,026	332,052	610,429
Leased property under capital leases	332,052			(332,052)	0
Total depreciable capital assets	776,455	0	166,026	0	610,429

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Less accumulated depreciation for:</u>					
Mobile equipment	378,793	20,234	59,769	119,539	458,797
Leased property under capital leases	119,539			(119,539)	0
Total accumulated Depreciation	498,332	20,234	59,769	0	458,797
 Total depreciable capital assets, net	278,123	(20,234)	106,257	0	151,632
 Business-type activities capital assets, net	\$ 328,708	(20,234)	106,257	0	202,217

*All adjustments represent reclassification of leased property under capital assets to mobile equipment and other furniture and equipment, along with related accumulated depreciation.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 207,223
Public safety	425,617
Public works	569,185
Culture and recreation	111,255
 Total governmental activities depreciation expense	\$ 1,313,280
 Business-type activities:	
Solid waste	\$ 20,234

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
STP-0050(33)B	\$ 2,568,630	09/2014
BR-0555B	5,825	09/2014
Emergency Operations Center	949,192	05/2014

(7) 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.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such lease was \$99,667 for the year ended September 30, 2013. There will be no future lease receivables for this lease due to the lessee purchasing the property in FY2013 as outlined in the County's operating lease contract.

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 0

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,648,773
Furniture and equipment	222,899
Total	1,871,672
Less: Accumulated depreciation	(470,107)
Leased Property Under Capital Leases	\$ 1,401,565

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 289,870	25,636
2015	246,002	20,105
2016	207,343	15,448
2017	660,390	9,869
Total	\$ 1,403,605	71,058

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(10) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Park Construction – 2005	\$ 370,000	3.60/4.00%	06/2025
2009 Refunding	1,430,000	2.25/3.00%	03/2016
2009 Road and Bridge	1,570,000	2.80/4.00%	05/2024
2011 Refunding	2,255,000	2.00/3.50%	10/2021
EOC/Solid Waste bond issue	1,500,000	2.00/2.75%	05/2031
2013 Refunding	2,700,000	2.00/2.75%	06/2025
Total General Obligation Bonds	\$ 9,825,000		
B. Capital Leases:			
(2) 2011 Crown Victorias	\$ 22,333	3.00%	08/2014
2010 Ford E-350 Ambulance	6,011	3.05%	02/2014
(5) 2013 Ford Taurus	113,285	1.64%	03/2016
Caterpillar Wheel Loader	131,792	1.95%	09/2017
(2) Case 580 SN Backhoes	150,666	2.04%	06/2017
Caterpillar Tractor D6TXW	241,761	2.04%	06/2017
Caterpillar Wheel Loader 950H	181,483	2.04%	06/2017
Caterpillar Excavator 336 EL	249,503	2.04%	06/2017
Computer based CAD system	25,530	3.24%	10/2014
Watchfire message center	13,205	3.07%	08/2016
2011 Ford F-150 Truck without body	58,494	3.07%	09/2016
2013 Ambulances	139,099	1.64%	05/2016
Motorola radio communications equipment	70,443	1.64%	09/2016
Total Capital Leases	\$ 1,403,605		
C. Other Loans:			
MDA Cap Imp Revenue Loan Hospital	\$ 3,904,059	2.00%	01/2033

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	
	Principal	Interest
2014	\$ 1,075,000	348,912
2015	1,115,000	318,823
2016	1,160,000	190,090
2017	675,000	167,887
2018	700,000	150,835
2019 – 2023	3,585,000	462,007
2024 – 2028	1,205,000	105,335
2029 – 2033	310,000	17,187
Total	\$ 9,825,000	1,761,076

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Year Ending September 30	Other Loans	
	Principal	Interest
2014	\$ 167,096	76,555
2015	170,468	73,182
2016	173,909	69,742
2017	177,419	66,231
2018	181,000	62,650
2019 – 2023	961,301	256,953
2024 – 2028	1,062,312	155,940
2029 – 2033	1,010,554	45,265
Total	\$ 3,904,059	806,518

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, 2013, the amount of outstanding debt was equal to 6.05% of the latest property assessments.

Current Refunding - On May 17, 2013, the County issued \$2,700,000 in general obligation refunding bonds with an average interest rate of 2.13% to refund \$2,430,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
2005 Park Construction	3.80%	\$ 2,430,000

The County refunded the above bonds to reduce its total debt service payments over the next 12 years by almost \$101,049 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$95,919.

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, 2013, \$2,000,000 of bonds outstanding were considered defeased.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 92,283	23,906			116,189	
General obligation bonds	9,010,000	4,200,000	3,385,000		9,825,000	1,075,000
Less:						
Deferred amt on refunding	(76,525)	(227,721)	(24,059)		(280,187)	
Add:						
Premiums	21,610	33,260	3,928		50,942	
Capital leases	1,302,748	361,896	261,039		1,403,605	289,870
Other loans	5,144,225		1,240,166		3,904,059	167,096
Total	\$ 15,494,341	4,391,341	4,866,074		15,019,608	1,531,966
Business-type Activities:						
Compensated absences	\$ 3,100	1,466			4,566	
Capital leases	105,262		105,261	(1)	0	
Total	\$ 108,362	1,466	105,261	(1)**	4,566	0

**Adjustment is to correct an error of classification between principal and interest.

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

(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.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(12) 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 districts does not extend beyond 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 \$7,500. These funds are spent through the purchasing system of the County via the County Fire Coordinator. Additionally, the County provides worker's compensation coverage for volunteer firefighters and maintains liability insurance on all fire department apparatus. Neshoba County provided \$166,847.85 for the operations of the 12 districts in fiscal year 2013. The districts are as follows.

District	Enabling Legislation	Funding
Arlington Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	\$ 7,500
County Line Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Dixon Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
East Neshoba Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Fairview Volunteer Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Hope Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
House Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Linwood Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Longino Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Northbend Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Stallo Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500
Tucker Volunteer Fire District	19-5-151, Miss. Code Ann. (1972)	7,500

(13) Joint Venture.

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 financial support in fiscal year 2013.

(14) 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 \$550,990 for the maintenance and support of the college in fiscal year 2013.

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 2013.

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 \$17,419 for support of the district in fiscal year 2013.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Region Ten Mental Health – Mental Retardation Commission 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 nine members of the board of commissioners. The County appropriated \$21,596 for support of the commission in fiscal year 2013.

(15) Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$562,521, \$493,704 and \$447,290, respectively, equal to the required contributions for each year.

(16) 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 May 7, 2015, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
04/21/2014	2.14%	55,675	Capital lease	Ad valorem taxes
08/27/2014	1.91%	155,355	Capital lease	Ad valorem taxes
09/15/2014	2.14%	240,066	Capital lease	Ad valorem taxes
11/17/2014	1.87%	193,114	Capital lease	Ad valorem taxes

NESHOBA COUNTY

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NESHOBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY

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NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,526,000	4,883,691	4,883,691	
Licenses, commissions and other revenue	209,850	245,004	245,004	
Fines and forfeitures	305,000	291,643	291,643	
Intergovernmental revenues	1,046,000	1,085,531	1,085,531	
Charges for services	125,000	137,326	137,326	
Interest income	150	2,552	2,552	
Miscellaneous revenues	130,000	748,460	748,460	
Total Revenues	<u>6,342,000</u>	<u>7,394,207</u>	<u>7,394,207</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,892,663	3,108,671	3,108,671	
Public safety	2,318,376	2,365,437	2,365,437	
Health and welfare	110,937	118,279	118,279	
Culture and recreation	502,542	516,501	516,501	
Education	303,738	299,595	299,595	
Conservation of natural resources	69,996	63,180	63,180	
Economic development and assistance	271,046	1,241,146	1,241,146	
Debt service:				
Principal		73,051	73,051	
Interest		2,703	2,703	
Total Expenditures	<u>6,469,298</u>	<u>7,788,563</u>	<u>7,788,563</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(127,298)</u>	<u>(394,356)</u>	<u>(394,356)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		704,138	704,138	
Compensation for loss of capital assets		7,913	7,913	
Transfers in		18,800	18,800	
Transfers out		(18,800)	(18,800)	
Other financing sources	134,000	70		(70)
Other financing uses	(6,702)			
Total Other Financing Sources and Uses	<u>127,298</u>	<u>712,121</u>	<u>712,051</u>	<u>(70)</u>
Net Change in Fund Balance		317,765	317,695	(70)
Fund Balances - Beginning	<u>899,744</u>	<u>204,943</u>	<u>205,113</u>	<u>170</u>
Fund Balances - Ending	<u>\$ 899,744</u>	<u>522,708</u>	<u>522,808</u>	<u>100</u>

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

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Unit Road Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 422,000	466,776	466,776	
Road and bridge privilege taxes	275,000	373,796	373,796	
Fines and forfeitures	13,000	9,822	9,822	
Intergovernmental revenues	390,000	483,616	483,616	
Interest income		152	152	
Miscellaneous revenues		97,096	97,096	
Total Revenues	<u>1,100,000</u>	<u>1,431,258</u>	<u>1,431,258</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,100,000	1,322,052	1,322,052	
Total Expenditures	<u>1,100,000</u>	<u>1,322,052</u>	<u>1,322,052</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>109,206</u>	<u>109,206</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		6,222	6,222	
Compensation for loss of capital assets		25	25	
Total Other Financing Sources and Uses	<u>0</u>	<u>6,247</u>	<u>6,247</u>	<u>0</u>
Net Change in Fund Balance	0	115,453	115,453	0
Fund Balances - Beginning	<u>(409,000)</u>	<u>94,243</u>	<u>94,243</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (409,000)</u>	<u>209,696</u>	<u>209,696</u>	<u>0</u>

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

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,200,000	1,236,102	1,236,102	
Interest income		658	658	
Total Revenues	<u>1,200,000</u>	<u>1,236,760</u>	<u>1,236,760</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,200,000	1,064,339	1,064,339	
Debt service:				
Principal		96,104	96,104	
Interest		20,677	20,677	
Total Expenditures	<u>1,200,000</u>	<u>1,181,120</u>	<u>1,181,120</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>55,640</u>	<u>55,640</u>	<u>0</u>
Net Change in Fund Balance	0	55,640	55,640	0
Fund Balances - Beginning	<u>250,000</u>	<u>293,096</u>	<u>293,096</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 250,000</u>	<u>348,736</u>	<u>348,736</u>	<u>0</u>

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

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 State Aid Road Reseal Project Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	1,728,252	1,728,252	
Total Revenues	<u>0</u>	<u>1,728,252</u>	<u>1,728,252</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works		1,214,691	1,214,691	
Total Expenditures	<u>0</u>	<u>1,214,691</u>	<u>1,214,691</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>513,561</u>	<u>513,561</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	513,561	513,561	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>513,561</u>	<u>513,561</u>	<u>0</u>

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

NESHOBA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013
UNAUDITED

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 supplemental information.

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types			
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund	State Aid Road Reseal Project Fund
Budget (Cash Basis)	\$ 317,695	115,453	55,640	513,561
Increase (Decrease)				
Net adjustments for revenue accruals	(98,777)	28,317	(721)	76,807
Net adjustments for expenditure accruals	191,286	69,309	169,680	(193,271)
GAAP Basis	<u>\$ 410,204</u>	<u>213,079</u>	<u>224,599</u>	<u>397,097</u>

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NESHOBA COUNTY

OTHER INFORMATION

NESHOBA COUNTY

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NESHOBA COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
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
Kinsey Smith	Supervisor District 3	Travelers Casualty and Surety of America	\$100,000
Marty Sistrunk	Supervisor District 4	Travelers Casualty and Surety of America	\$100,000
Obbie Riley	Supervisor District 5	Travelers Casualty and Surety of America	\$100,000
Benjie Coats	County Administrator	Travelers Casualty and Surety of America	\$100,000
Guy Nowell	Chancery Clerk	Travelers Casualty and Surety of America	\$100,000
Faye Russell	Purchase Clerk	Travelers Casualty and Surety of America	\$75,000
Benjie Coats	Assistant Purchase Clerk	Travelers Casualty and Surety of America	\$50,000
Laura McLemore	Receiving Clerk	Travelers Casualty and Surety of America	\$75,000
Tammy Gomillion	Assistant Receiving Clerk	Travelers Casualty and Surety of America	\$50,000
Benjie Coats	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 Ray Spears	Constable	Travelers Casualty and Surety of America	\$50,000
Patti Duncan Lee	Circuit Clerk	Travelers Casualty and Surety of America	\$100,000
Tommy Waddell	Sheriff	Travelers Casualty and Surety of America	\$100,000
	Sheriff's Deputy (hired under Section		
18 Deputies	45-5-9 Miss. Code Ann. (1972))	Travelers Casualty and Surety of America	\$50,000
Steve Cumberland	Justice Court Judge	Travelers Casualty and Surety of America	\$50,000
Brad Stuart	Justice Court Judge	Travelers Casualty and Surety of America	\$50,000
Kathy Warren	Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Summer Greer	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
Mike Lewis	Tax Collector-Assessor	Travelers Casualty and Surety of America	\$100,000
Annie Peebles	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Kesha Jones	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Kay Dearing	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Pam Cheatham	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000
Tasha Walker	Deputy Tax Collector	Travelers Casualty and Surety of America	\$50,000

NESHOBA COUNTY

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NESHOPA COUNTY

SPECIAL REPORTS

NESHOBA COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 7, 2015. 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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-001, 2013-002, 2013-003, and 2013-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2013-005 to be a significant deficiency.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2013-003 and 2013-004. Also, the results of our test disclosed an Other Matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2013-002.

We also noted certain matters which we have reported to the management of Neshoba County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated May 7, 2015, included within this document.

Neshoba County's Responses to Findings

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

Purpose of this Report

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



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 7, 2015



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

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 the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. 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 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, 2013.

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

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

A handwritten signature in black ink that reads "William R. Doss" with a long horizontal flourish extending to the right.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 7, 2015

NESHOBA COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Schedule 1

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

NESHOBA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

NESHOBA COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

NESHOBA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, 2013, 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 May 7, 2015, 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.

1. Issues regarding segregation of duties exist for the AS400 Administrator.

Finding

IT staff is limited and duties overlap, particularly in the instance of the employee who serves as the Purchasing Clerk, the Office Administrator and the AS400 Security Administrator. This person reports directly to the Board of Supervisors. With the existing reporting structure and security administrator rights on the AS400, this constitutes a segregation of duties issue that could increase the risk of fraud, due to the ability to add and delete user IDs, delete logs, etc.

Recommendation

In order to mitigate the segregation of duties issue created by the reporting structure of the AS400 Security Administrator, it is recommended that the Administrator be assigned two User IDs, one for duties in relation to purchasing and office management and another for AS400 security administration.

Only the user ID used for AS400 Security Administration should have special authorities such as ALLOBJ and SECOFR. Logging should be turned on for this user ID and activity logs for this ID should be reviewed regularly by qualified personnel.

Board of Supervisors' Response

Neshoba County will create a separate user ID for AS-400 Master Security operations and a second for that employee's daily office operations.

2. Neshoba County should strengthen passwords.

Finding

During our review, we noticed that Neshoba County is using some parameters associated with password strength that meet industry strength best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Neshoba County's information assets.

Recommendation

We recommend that Neshoba County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

Neshoba County will implement a plan to strengthen its access passwords parameters to comply with password management best practices and industry standards.

3. Neshoba County should create a rotation of backups off-site.

Finding

Neshoba County is currently using an automated system to perform daily backups of the AS400. Without proper off-site storage of backup files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relation to how long an exposure goes unmitigated.

Recommendation

We recommend that Neshoba County implement a plan to ensure that all backup files are taken off-site on a regular basis and kept in a safe location. With close proximity of a bank, it would be a safe and convenient place to store the back-up tapes in the night deposit drop and then store them in the safe deposit box the next day. It is further recommended that the tapes be kept at the bank for several days (e.g. two weeks), in case of a disaster situation that require recovery.

Board of Supervisors' Response

Neshoba County will implement a formal plan to remove data backups from the server rooms on a daily basis and be stored in a secure area.

4. Neshoba County should improve its server room environment management.

Finding

Neshoba County's server is in the open and has the potential of being accessed by unauthorized personnel. The room does have air conditioning but does not have monitoring equipment for fire, heat and other conditions that could adversely affect computer equipment.

Recommendation

We recommend that Neshoba County establish an area specifically for computerized equipment that can be locked and provision it with environmental control and monitoring equipment for heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of the preset ranges.

Board of Supervisors' Response

The Board of Supervisors will formally designate server locations in County Owned buildings and establish a policy of each to be equipped with back up environmental control, and be secured from unauthorized access.

5. Controls over repayment of interfund advances should be strengthened.

Finding

The County has interfund loans outstanding that are over a year old. These interfund loans total \$740,259 as of September 30, 2013. These advances relate to indirect costs associated with garbage collection activities, services provided for the coliseum and an interfund loan to the County Unit Road Fund. The Mississippi Code is silent regarding the authority of the County to make these loans. 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.

Board of Supervisors' Response

These funds will be repaid in FY2014.

6. Neshoba County should expire all individual's passwords on a periodic basis.

Finding

A review of Neshoba County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Neshoba County.

Recommendation

We recommend that a policy be implemented to ensure passwords are expired on a regular basis. In addition, Neshoba County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

Neshoba County is in the process of developing an information security policy which will be incorporated into the personnel policies of the County upon adoption by the Board of Supervisors and published with updates to those policies. Password policies including expiration policies will be included therein.

7. Neshoba County should install network banners on its internal network.

Finding

During our review of Neshoba County, we noted that the system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation

We recommend that Neshoba County implement appropriate network banners on its internal network.

Board of Supervisors' Response

Neshoba County will work with existing vendors and new software vendors to implement appropriate bannering on future software upgrades and new software implementations.

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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 7, 2015

NESHOBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NESHOBA COUNTY

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NESHOBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

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
	2013 EOC/Solid Waste Construction Fund	Unmodified
	State Aid Road Reseal Project Fund	Unmodified
	Aggregate remaining fund information	Unmodified
	Solid Waste Fund	Unmodified
2.	Internal control over financial reporting:	
a.	Material weaknesses identified?	Yes
b.	Significant deficiency identified?	Yes
3.	Noncompliance material to the financial statements noted?	Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. The County should include the financial data for its discrete component units in its financial statements

Finding

Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior six years' audit reports, the financial statements do not include the financial data for the County's legally separate component units. The failure to follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the County's financial statements.

Board of Supervisors' Response

Neshoba County will comply in future years.

NESHOBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Material Weakness
Other Matter

2013-002. Excessive overtime paid without proper approval.

Finding

An effective system of internal controls over payroll expenditures should include an approval of payroll overtime. Our payroll testwork revealed several salaried employees who were paid excessive overtime without proper approval or adequate justification. The individuals who received the allegedly unapproved overtime payments have resigned or have been terminated from employment with the County and an investigation into the allegations is ongoing. Failure to have an adequate system of review of payroll expenditures could result in the loss public funds.

Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the review and approval of payroll and overtime.

Board of Supervisors' Response

Neshoba County will implement a system of internal control policies that will allow for overtime and payroll review.

Material Weaknesses
Material Noncompliance

2013-003. Internal Controls over use of funds levied for maintenance and construction of roads should be strengthened.

Finding

Section 27-39-305, Miss. Code Ann. (1972), restricts the funds levied for the maintenance and/or construction of roads and bridges. During audit procedures, it was noted that the County expended \$141,836 from the Countywide Road Fund to cover expenses incurred by the Solid Waste Department. The failure to adequately restrict funds levied for road maintenance and construction is a direct violation of Section 27-39-305, Miss. Code Ann. (1972), and is an illegal diversion of legally restricted funds. This situation could result in the Board of Supervisors being held personally responsible for such amounts.

Recommendation

The Board of Supervisors should implement internal controls to ensure the proper usage of legally restricted funds.

Board of Supervisors' Response

This has been corrected for Fiscal Year 2015.

NESHOBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Material Weakness
Material Noncompliance

2013-004. Internal Controls over use of funds levied for maintenance and construction of bridges and culverts should be strengthened.

Finding

Section 65-15-7, Miss. Code Ann. (1972), restricts the funds levied for the maintenance and/or construction of bridges and culverts. During audit procedures, it was noted that the County expended \$158,004 from the Countywide Bridge & Culvert Fund to cover expenses related to payroll, contractual services and materials and supplies, which were incurred by the Solid Waste Department. The failure the adequately restrict funds levied for road maintenance and construction is a direct violation of Section 65-15-7, Miss. Code Ann. (1972), and is an illegal diversion of legally restricted funds. This situation could result in the Board of Supervisors being held personally responsible for such amounts.

Recommendation

The Board of Supervisors should implement internal controls to ensure the proper usage of legally restricted funds.

Board of Supervisors' Response

This has been corrected for Fiscal Year 2015.

Significant Deficiency

2013-005. Neshoba County should implement a formal information security policy.

Finding

Neshoba County has not implemented a formal information security policy or enterprise security plan. The lack of a formal information security policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of information technology policies should cover at least the following areas:

- Acceptable use
- Portable computing
- Change management
- Encryption
- Security incident response
- Risk management
- Backup and recovery
- Business continuity/Disaster recovery

We recommend that Neshoba County create a plan of compliance with industry standards to ensure progress toward a robust documented information security plan. This policy should be reviewed and approved by the Board of Supervisors. In addition, employees that utilize the technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

NESHOBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Board of Supervisors' Response

The Board of Supervisors will work to develop a plan that will meet the recommended areas of concern.