

# NESHOBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2014

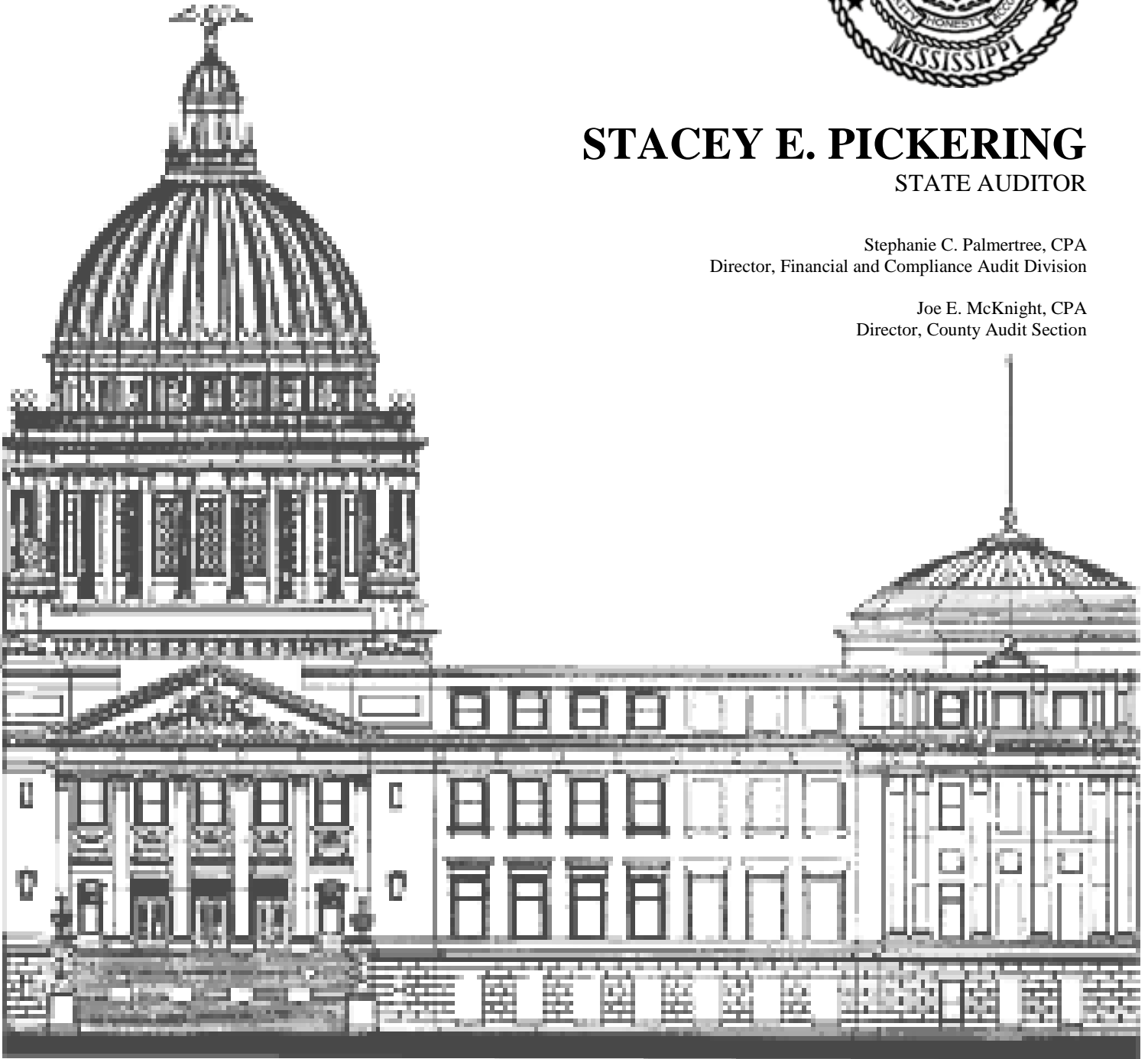


## STACEY E. PICKERING

STATE AUDITOR

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

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

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

November 4, 2016

Members of the Board of Supervisors  
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for Neshoba County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering  
State Auditor



NESHOBA COUNTY

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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, 2014, 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, 2014, 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, 2014, 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.

#### *Supplementary and 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 Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

November 4, 2016

NESHOBA COUNTY

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NESHOBA COUNTY

FINANCIAL STATEMENTS

NESHOBA COUNTY

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NESHOBA COUNTY  
Statement of Net Position  
September 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 3,736,333	55,533	3,791,866
Cash with fiscal agent	259,281		259,281
Property tax receivable	5,906,000		5,906,000
Accounts receivable (net of allowance for uncollectibles of \$204,209)		133,110	133,110
Fines receivable (net of allowance for uncollectibles of \$2,544,263)	246,414		246,414
Intergovernmental receivables	266,851		266,851
Other receivables	36,004		36,004
Internal balances	661,378	(661,378)	
Capital assets:			
Land and construction in progress	870,111	50,585	920,696
Other capital assets, net	21,738,782	560,622	22,299,404
<b>Total Assets</b>	<b>33,721,154</b>	<b>138,472</b>	<b>33,859,626</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	246,639		246,639
<b>Total deferred outflows of resources</b>	<b>246,639</b>	<b>0</b>	<b>246,639</b>
<b>LIABILITIES</b>			
Claims payable	488,035	14,503	502,538
Intergovernmental payables	318,232		318,232
Accrued interest payable	87,441		87,441
Unearned revenue	1,020	11,659	12,679
Other payables	32,797		32,797
Long-term liabilities			
Due within one year:			
Capital debt	1,166,906		1,166,906
Non-capital debt	475,000		475,000
Due in more than one year:			
Capital debt	11,981,589		11,981,589
Non-capital debt	617,729	3,717	621,446
<b>Total Liabilities</b>	<b>15,168,749</b>	<b>29,879</b>	<b>15,198,628</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	5,906,000		5,906,000
<b>Total deferred inflows of resources</b>	<b>5,906,000</b>	<b>0</b>	<b>5,906,000</b>
<b>NET POSITION</b>			
Net investment in capital assets	9,692,837	611,207	10,304,044
Restricted for:			
General government	53,493		53,493
Debt service	375,619		375,619
Public safety	1,214,396		1,214,396
Public works	1,929,349		1,929,349
Health and welfare	1,441		1,441
Culture and recreation	56,948		56,948
Unrestricted	(431,039)	(502,614)	(933,653)
<b>Total Net Position</b>	<b>\$ 12,893,044</b>	<b>108,593</b>	<b>13,001,637</b>

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

NESHOBA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,651,182	618,999	34,909	-	(2,997,274)	-	(2,997,274)
Public safety	3,534,884	484,183	245,798	968,015	(1,836,888)		(1,836,888)
Public works	3,016,182		977,349	194,164	(1,844,669)		(1,844,669)
Health and welfare	121,802		20,640		(101,162)		(101,162)
Culture and recreation	730,582				(730,582)		(730,582)
Conservation of natural resources	76,316				(76,316)		(76,316)
Economic development and assistance	63,727				(63,727)		(63,727)
Interest on long-term debt	345,090				(345,090)		(345,090)
Total Governmental Activities	<u>11,539,765</u>	<u>1,103,182</u>	<u>1,278,696</u>	<u>1,162,179</u>	<u>(7,995,708)</u>		<u>(7,995,708)</u>
Business-type activities:							
Solid waste	<u>637,637</u>	<u>479,753</u>	<u>31,142</u>			<u>(126,742)</u>	<u>(126,742)</u>
Total Business-type Activities	<u>637,637</u>	<u>479,753</u>	<u>31,142</u>	<u>0</u>		<u>(126,742)</u>	<u>(126,742)</u>
Total Primary Government	<u>\$ 12,177,402</u>	<u>1,582,935</u>	<u>1,309,838</u>	<u>1,162,179</u>	<u>(7,995,708)</u>	<u>(126,742)</u>	<u>(8,122,450)</u>
General revenues:							
Property taxes					\$ 7,847,468		7,847,468
Road & bridge privilege taxes					334,192		334,192
Grants and contributions not restricted to specific programs					840,027		840,027
Unrestricted interest income					11,749	141	11,890
Miscellaneous					477,644		477,644
Gain (Loss) on sale of asset						(4,314)	(4,314)
Transfers					<u>(555,600)</u>	<u>555,600</u>	<u>0</u>
Total General Revenues and Transfers					<u>8,955,480</u>	<u>551,427</u>	<u>9,506,907</u>
Changes in Net Position					<u>959,772</u>	<u>424,685</u>	<u>1,384,457</u>
Net Position - Beginning, as previously reported					11,965,792	(316,092)	11,649,700
Effect of accounting change					(190,814)		(190,814)
Prior period adjustment					158,294		158,294
Net Position - Beginning, as restated					<u>11,933,272</u>	<u>(316,092)</u>	<u>11,617,180</u>
Net Position - Ending					<u>\$ 12,893,044</u>	<u>108,593</u>	<u>13,001,637</u>

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

NESHOBA COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2014

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Federal EOC Grant Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 540,129		406,734	322,936	2,466,534	3,736,333
Cash with fiscal agent					259,281	259,281
Property tax receivable	3,430,000		340,000	965,000	1,171,000	5,906,000
Fines receivable (net of allowance for uncollectibles of \$2,544,263)	246,414					246,414
Intergovernmental receivables	230,034		26,544		10,273	266,851
Other receivables	9,545				26,459	36,004
Due from other funds	285,538		138,601	229,882	28,801	682,822
Advances to other funds	96,083		174,065	158,004		428,152
<b>Total Assets</b>	<b>\$ 4,837,743</b>		<b>1,085,944</b>	<b>1,675,822</b>	<b>3,962,348</b>	<b>11,561,857</b>
<b>LIABILITIES</b>						
Liabilities:						
Claims payable	\$ 286,890		81,765	4,777	114,603	488,035
Intergovernmental payables	307,748					307,748
Due to other funds	99,569			54,133	248,699	402,401
Advances from other funds	32,229		6,650		18,800	57,679
Unearned revenue	1,020					1,020
Other payables	32,797					32,797
<b>Total Liabilities</b>	<b>760,253</b>		<b>88,415</b>	<b>58,910</b>	<b>382,102</b>	<b>1,289,680</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue - property taxes	3,430,000		340,000	965,000	1,171,000	5,906,000
Unavailable revenue - fines	246,414					246,414
<b>Total deferred inflows of resources</b>	<b>3,676,414</b>	<b>0</b>	<b>340,000</b>	<b>965,000</b>	<b>1,171,000</b>	<b>6,152,414</b>

NESHOBA COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2014

Exhibit 3 (Cont'd)

	<u>Major Funds</u>				<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Federal EOC Grant Fund</u>	<u>County Unit Road Fund</u>	<u>Countywide Bridge and Culvert Fund</u>		
Fund balances:						
Nonspendable:						
Advances	96,083					96,083
Restricted for:						
General government					53,493	53,493
Public safety					1,214,396	1,214,396
Public works			657,529	651,912	619,908	1,929,349
Health and welfare					1,441	1,441
Culture and recreation					56,948	56,948
Debt service					463,060	463,060
Unassigned	304,993					304,993
Total Fund Balances	<u>401,076</u>	<u>0</u>	<u>657,529</u>	<u>651,912</u>	<u>2,409,246</u>	<u>4,119,763</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,837,743</u>	<u>0</u>	<u>1,085,944</u>	<u>1,675,822</u>	<u>3,962,348</u>	<u>11,561,857</u>

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

NESHOBA COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,119,763
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 \$15,576,131.	22,608,893
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	246,414
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(14,241,224)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(87,441)
Deferred amount on refundings	<u>246,639</u>
Total Net Position - Governmental Activities	\$ <u><u>12,893,044</u></u>

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

NESHOBA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2014

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Federal EOC Grant Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
<b>REVENUES</b>						
Property taxes	\$ 4,681,873		465,752	1,164,131	1,535,712	7,847,468
Road and bridge privilege taxes			334,192			334,192
Licenses, commissions and other revenue	260,303				8,043	268,346
Fines and forfeitures	275,975				7,204	283,179
Intergovernmental revenues	1,001,380	968,015	576,701		734,806	3,280,902
Charges for services	160,441				323,742	484,183
Interest income	5,471		71	994	5,213	11,749
Miscellaneous revenues	76,576		16,098		384,970	477,644
Total Revenues	<u>6,462,019</u>	<u>968,015</u>	<u>1,392,814</u>	<u>1,165,125</u>	<u>2,999,690</u>	<u>12,987,663</u>
<b>EXPENDITURES</b>						
Current:						
General government	3,675,077					3,675,077
Public safety	2,554,119	1,528,642			568,790	4,651,551
Public works			1,076,582	919,120	665,214	2,660,916
Health and welfare	121,802					121,802
Culture and recreation	570,498				48,829	619,327
Conservation of natural resources	76,316					76,316
Economic development and assistance	63,727					63,727
Debt service:						
Principal	76,631			96,752	1,362,543	1,535,926
Interest	2,292			18,475	346,501	367,268
Total Expenditures	<u>7,140,462</u>	<u>1,528,642</u>	<u>1,076,582</u>	<u>1,034,347</u>	<u>2,991,877</u>	<u>13,771,910</u>
Excess of Revenues over (under) Expenditures	<u>(678,443)</u>	<u>(560,627)</u>	<u>316,232</u>	<u>130,778</u>	<u>7,813</u>	<u>(784,247)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	295,741				155,355	451,096
Compensation for loss on capital assets	8,539					8,539
Transfers in		482,566				482,566
Transfers out					(1,038,166)	(1,038,166)
Total Other Financing Sources and Uses	<u>304,280</u>	<u>482,566</u>			<u>(882,811)</u>	<u>(95,965)</u>
Net Changes in Fund Balances	<u>(374,163)</u>	<u>(78,061)</u>	<u>316,232</u>	<u>130,778</u>	<u>(874,998)</u>	<u>(880,212)</u>
Fund Balances - Beginning, as previously reported	753,601	(119,931)	341,297	521,134	3,283,244	4,779,345
Prior period adjustments	21,638	197,992			1,000	220,630
Fund Balances - Beginning, as restated	<u>775,239</u>	<u>78,061</u>	<u>341,297</u>	<u>521,134</u>	<u>3,284,244</u>	<u>4,999,975</u>
Fund Balances - Ending	\$ <u>401,076</u>	<u>0</u>	<u>657,529</u>	<u>651,912</u>	<u>2,409,246</u>	<u>4,119,763</u>

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

NESHOBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2014

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ (880,212)

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 \$2,139,001 exceeded depreciation of \$1,396,553 in the current period. 742,448

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 \$61,867 and the compensation for loss of capital assets of \$8,539 in the current period. (70,406)

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. 67,474

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,535,926 exceeded debt proceeds of \$451,096. 1,084,831

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 decrease in accrued interest payable	49,004
The accretion of bond premium	6,722
The increase in the compensated absences liability	(6,540)
The amortization of the deferred amount on refundings	(33,549)

Change in Net Position of Governmental Activities	\$ 959,772
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The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2014

Exhibit 5

	<u>Business-type</u>	
		Solid Waste Fund
<b>ASSETS</b>		
Current assets:		
Cash	\$	55,533
Accounts receivable (net of allowance for uncollectibles of \$204,209)		133,110
Advances to other funds		6,650
Total Current Assets		<u>195,293</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress		50,585
Other capital assets, net		560,622
Total Noncurrent Assets		<u>611,207</u>
Total Assets		<u>806,500</u>
<b>LIABILITIES</b>		
Current liabilities:		
Claims payable		14,503
Due to other funds		290,905
Advances from other funds		377,123
Unearned revenue		11,659
Total Current Liabilities		<u>694,190</u>
Noncurrent liabilities:		
Non-capital debt:		
Compensated absences payable		3,717
Total Noncurrent Liabilities		<u>3,717</u>
<b>NET POSITION</b>		
Net investment in capital assets		611,207
Unrestricted		(502,614)
Total Net Position	\$	<u><u>108,593</u></u>

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



NESHOBA COUNTY

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2014

Exhibit 6

	<u>Business-type</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 479,753
Operating grants	31,142
Total Operating Revenues	<u>510,895</u>
Operating Expenses	
Personal services	253,217
Contractual services	132,853
Materials and supplies	159,432
Depreciation expense	55,296
Indirect administrative cost	36,839
Total Operating Expenses	<u>637,637</u>
Operating Income (Loss)	<u>(126,742)</u>
Nonoperating Revenues (Expenses)	
Interest income	141
Gain (loss) on sale of capital assets	<u>(4,314)</u>
Net Nonoperating Revenue (Expenses)	<u>(4,173)</u>
Net Loss Before Transfers	(130,915)
Transfers in	<u>555,600</u>
Change in Net Position	424,685
Net Position - Beginning	<u>(316,092)</u>
Net Position - Ending	<u>\$ 108,593</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, 2014

Exhibit 7

	<u>Business-type</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 469,409
Payments to suppliers	(281,477)
Payments to employees	(254,066)
Payments to General Fund for indirect costs	(36,839)
Other operating cash receipts	31,142
Net Cash Provided (Used) by Operating Activities	<u>(71,831)</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	290,905
Cash paid to other funds:	
Interfund loan repayments	(317,257)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(26,352)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	87,000
Acquisition and construction of capital assets	(555,600)
Transfer of capital assets from capital project fund	555,600
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>87,000</u>
Cash Flows From Investing Activities	
Interest on deposits	141
Net Cash Provided (Used) by Investing Activities	<u>141</u>
Net Increase (Decrease) in Cash	(11,042)
Cash and Cash Equivalents at Beginning of Year	412,813
Adjustment to Beginning of Year Cash to Correct Prior Year Error	<u>(346,238)</u>
Cash and Cash Equivalents at End of Year	<u>\$ 55,533</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (126,742)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	55,296
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,695)
Increase (decrease) in claims payable	10,808
Increase (decrease) in compensated absences liability	(849)
Increase (decrease) in unearned revenue	351
Total Adjustments	<u>54,911</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (71,831)</u>

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

NESHOBA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 150,637
Due from other funds	<u>10,484</u>
Total Assets	<u><u>\$ 161,121</u></u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 91,020
Intergovernmental payables	<u>70,101</u>
Total Liabilities	<u><u>\$ 161,121</u></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, 2014

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

##### A. Financial Reporting Entity.

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

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

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

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

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

##### B. Individual Component Unit Disclosures.

###### Blended Component Units

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

The Neshoba County Public Improvement Corporation is governed by a three-member 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, 2014.

##### 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, 2014

#### 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/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Federal EOC Grant Fund – This fund is used to account for federal funds received for construction of an emergency operations center.

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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, 2014

#### 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, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. Interest costs 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, 2014

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 and proprietary fund statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

J. Deferred Outflows/Inflows of Resources.

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

K. Long-term Liabilities.

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

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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

#### L. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Net Position Flow Assumption:

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

##### Fund Financial Statements:

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

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

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

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

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

##### Fund Balance Flow Assumption:

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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.

#### M. 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.

#### N. 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.

#### O. 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.

#### P. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(2) Accounting Change.

GASB Statement No. 65 requires the recognition of debt issuance costs, except any portion related to prepaid insurance costs, as an expense in the period incurred, rather than amortization over the life of the related debt.

As a result of the implementation of GASB Statement No. 65, the following adjustment was made to beginning net position of the governmental activities:

Exhibit 2 – Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To expense unamortized balance of debt issuance costs	\$ (190,814)

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior-year errors in capital assets	\$ (35,895)
To correct prior-year errors in long-term debt	(26,441)
To correct prior-year errors in intergovernmental revenue	219,630
To correct prior-year error in miscellaneous revenue	1,000
Total prior period adjustments	<u>\$ 158,294</u>

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

<u>Explanation</u>	<u>Amount</u>
To correct prior-year errors in intergovernmental revenue	\$ 219,630
To correct prior-year error in miscellaneous revenue	1,000
Total prior period adjustments	<u>\$ 220,630</u>

(4) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$3,942,503, and the bank balance was \$3,717,525. 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.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 36,839
General Fund	Other Governmental Funds	248,699
County Unit Road Fund	General Fund	39,306
County Unit Road Fund	Countywide Bridge & Culvert Fund	54,133
County Unit Road Fund	Solid Waste Fund	45,162
Countywide Bridge & Culvert Fund	General Fund	20,978
Countywide Bridge & Culvert Fund	Solid Waste Fund	208,904
Other Governmental Funds	General Fund	28,801
Agency Funds	General Fund	<u>10,484</u>
Total		<u>\$ 693,306</u>

The amount due to the General Fund from the Solid Waste Fund represents indirect administrative costs incurred during the September 30, 2014 fiscal year. The amount due to the General Fund from Other Governmental Funds represents amounts loaned to cover deficit cash balances. The amount due to the County Unit Road Fund from the Countywide Bridge and Culvert Fund represents an error in posting a loan repayment from the Solid Waste Fund. The amounts due from the Solid Waste Fund to the County Unit Road Fund and the Countywide Bridge and Culvert Fund represent diversions of legally restricted funds for payroll expenses of the Solid Waste Fund. The remaining receivables represent tax revenue collected by the Tax Assessor/Collector in September 2014, but not settled to the County until the subsequent month. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 18,800
General Fund	Solid Waste Fund	77,283
County Unit Road Fund	General Fund	32,229
County Unit Road Fund	Solid Waste Fund	141,836
Countywide Bridge and Culvert Fund	Solid Waste Fund	158,004
Solid Waste Fund	County Unit Road Fund	<u>6,650</u>
Total		<u>\$ 434,802</u>

The amount due to the General Fund from Other Governmental Funds represents an amount used to cover the remainder of a principal payment for the Courthouse Renovation Bond. The amount due from the Solid Waste Fund to the General Fund represents indirect administrative costs incurred in prior fiscal years. The amount due to the County Unit Road Fund from the General Fund represents services provided for the coliseum in the fiscal year ended September 30, 2011. The amounts due from the Solid Waste Fund to the County Unit Road Fund and the Countywide Bridge and Culvert Fund represent unpaid payroll and other operating expenses from prior years. The amount due to the Solid Waste Fund from the County Unit Road Fund represents an outstanding operating loan from prior years. None of these advances is expected to be repaid within one year.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Federal EOC Grant Fund	Other Governmental Funds	\$ 482,566
Solid Waste Fund	Other Governmental Funds	<u>555,600</u>
Total		<u>\$ 1,038,166</u>

The transfer to the Federal EOC Grant Fund was to provide grant matches and the transfer to the Solid Waste Fund represents a transfer of capital assets, both of which were paid from the proceeds of bonds issued for those purposes. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 161,797
Grant reimbursements	74,874
Charges for housing prisoners	13,407
Retainage due from Mississippi Office of State Aid Road Construction	10,273
Charge for collecting taxes for City of Philadelphia	<u>6,500</u>
Total Governmental Activities	<u>\$ 266,851</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

**Governmental activities:**

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Sept. 30, 2014</u>
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 434,373				434,373
Construction in progress	<u>683,175</u>	<u>1,043,992</u>		<u>(1,291,429)</u>	<u>435,738</u>
Total non-depreciable capital assets	<u>1,117,548</u>	<u>1,043,992</u>	<u>0</u>	<u>(1,291,429)</u>	<u>870,111</u>
<b><u>Depreciable capital assets:</u></b>					
Infrastructure	13,116,372				13,116,372
Buildings	7,360,639		80,000	1,210,059	8,490,698
Improvements other than buildings	4,934,611				4,934,611
Mobile equipment	6,677,311	30,500	22,876	150,859	6,835,794
Furniture and equipment	1,152,116	588,002			1,740,118
Leased property under capital leases	<u>1,871,672</u>	<u>476,507</u>		<u>(150,859)</u>	<u>2,197,320</u>
Total depreciable capital assets	<u>35,112,721</u>	<u>1,095,009</u>	<u>102,876</u>	<u>1,210,059</u>	<u>37,314,913</u>

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
<b><u>Less accumulated depreciation for:</u></b>					
Infrastructure	2,320,033	404,486			2,724,519
Buildings	2,827,551	163,661	16,000		2,975,212
Improvements other than buildings	2,210,036	175,617			2,385,653
Mobile equipment	5,456,813	229,598	16,470	54,160	5,724,101
Furniture and equipment	972,983	155,746		(19,489)	1,109,240
Leased property under capital leases	<u>470,107</u>	<u>267,445</u>		<u>(80,146)</u>	<u>657,406</u>
Total accumulated Depreciation	<u>14,257,523</u>	<u>1,396,553</u>	<u>32,470</u>	<u>(45,475)</u>	<u>15,576,131</u>
Total depreciable capital assets, net	<u>20,855,198</u>	<u>-301,544</u>	<u>70,406</u>	<u>1,255,534</u>	<u>21,738,782</u>
Governmental activities capital assets, net	<u>\$ 21,972,746</u>	<u>742,448</u>	<u>70,406</u>	<u>(35,895)</u>	<u>22,608,893</u>
<b>Business-type activities:</b>					
	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 50,585				50,585
Total non-depreciable capital assets	<u>50,585</u>				<u>50,585</u>
<b><u>Depreciable capital assets:</u></b>					
Mobile equipment	610,429	555,600	166,026		1,000,003
Total depreciable capital assets	<u>610,429</u>	<u>555,600</u>	<u>166,026</u>		<u>1,000,003</u>
<b><u>Less accumulated depreciation for:</u></b>					
Mobile equipment	458,797	55,296	74,712		439,381
Total accumulated Depreciation	<u>458,797</u>	<u>55,296</u>	<u>74,712</u>		<u>439,381</u>
Total depreciable capital assets, net	<u>151,632</u>	<u>500,304</u>	<u>91,314</u>		<u>560,622</u>
Business-type activities capital assets, net	<u>\$ 202,217</u>	<u>500,304</u>	<u>91,314</u>	<u>0</u>	<u>611,207</u>

\*Adjustments are to correct errors in the capital asset records and to reflect certain routine reclassifications of assets for which the related capital lease was paid off and completion of constructed assets.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental Activities:</b>	
General government	\$ 232,585
Public safety	482,240
Public works	570,473
Culture and recreation	<u>111,255</u>
Total governmental activities depreciation expense	<u>\$ 1,396,553</u>
<b>Business-type activities:</b>	
Solid waste	<u>\$ 55,296</u>

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
BR-0555(3)B	\$ 5,825	09/2015
LSBP-50(12)	2,428,731	09/2015

(8) Claims and Judgments.

-

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessee:

The County has entered into numerous agreements to lease office and storage space which are classified as operating leases. These agreements generally are renewable on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Expenditures for rental of office and storage space under operating leases for the year ended September 30, 2014 amounted to \$18,510.



NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,678,680
Furniture and equipment	<u>518,640</u>
Total	2,197,320
Less: Accumulated depreciation	<u>(657,406)</u>
Leased Property Under Capital Leases	<u>\$ 1,539,914</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 356,438	\$ 28,803
2016	317,153	21,885
2017	768,006	14,054
2018	60,480	2,441
2019	<u>57,860</u>	<u>1,144</u>
Total	<u>\$ 1,559,937</u>	<u>\$ 68,327</u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Recreational Facilities Bonds, Series 2005	\$ 190,000	3.60/4.00%	06/2025
Refunding Bonds, Series 2009	970,000	2.25/3.00%	03/2016
Road and Bridge Bonds, Series 2009	1,455,000	2.80/4.00%	05/2024
Recreational Facilities Refunding Bonds, Series 2013	2,665,000	0.85/2.50%	06/2025
Refunding Bonds, Series 2011	2,035,000	2.00/3.50%	10/2021
Series 2013 (EOC and Solid Waste)	<u>1,435,000</u>	2.00/2.75%	05/2031
Total General Obligation Bonds	<u>\$ 8,750,000</u>		

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Capital Leases:</b>			
Computer-based CAD system	\$ 1,996	3.24%	10/2014
Five (5) 2013 Ford Taurus Interceptors	68,527	1.64%	03/2016
Two (2) 2013 Chevrolet Type II ambulances	87,648	1.64%	05/2016
WatchFire Highbrightness Series sign at Coliseum	8,810	3.07%	08/2016
2011 Ford F-450 chassis only	39,590	3.07%	09/2016
Motorola radio communications equipment	47,346	1.64%	09/2016
Caterpillar D6TXW tractor	217,345	2.04%	06/2017
Caterpillar 950H wheel loader	162,465	2.04%	06/2017
Caterpillar 336EL excavator	225,680	2.04%	06/2017
Two (2) Case 580SN backhoes	137,383	2.04%	06/2017
Two (2) 2014 Chevrolet Type II ambulances	155,355	1.91%	08/2017
Caterpillar 928H wheel loader	115,580	1.95%	09/2017
Court case management system	52,146	2.14%	05/2019
County unified communications system	<u>240,066</u>	2.14%	09/2019
Total Capital Leases	<u>\$ 1,559,937</u>		
<b>C. Other Loans:</b>			
MDA Capital Improvements Revolving Loan	<u>\$ 3,739,693</u>	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		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 1,115,000	318,823	170,468	73,182
2016	1,160,000	190,090	173,909	69,742
2017	675,000	167,887	177,419	66,231
2018	700,000	150,835	181,001	62,650
2019	720,000	132,384	184,654	58,997
2020 – 2024	3,410,000	369,401	980,704	237,549
2025 – 2029	760,000	74,081	1,083,754	134,498
2030 – 2034	210,000	8,663	787,784	27,113
Total	<u>\$ 8,750,000</u>	<u>1,412,164</u>	<u>3,739,693</u>	<u>729,962</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 5.19% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2014, \$4,900,000 of bonds outstanding were considered defeased.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments*	Balance Sept. 30, 2014	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 116,189	6,540			122,729	
General obligation bonds	9,825,000		1,075,000		8,750,000	1,115,000
Less:						
Deferred amt on refunding	(280,187)			280,187	0	
Add:						
Premiums	50,942		6,722	24,645	68,865	
Capital leases	1,403,605	451,096	294,764		1,559,937	356,438
Other loans	3,904,059		166,162	1,796	3,739,693	170,468
<b>Total</b>	<b>\$ 15,019,608</b>	<b>457,636</b>	<b>1,542,648</b>	<b>306,628</b>	<b>14,241,224</b>	<b>1,641,906</b>
<b>Business-type Activities:</b>						
Compensated absences	\$ 4,566		849		3,717	
<b>Total</b>	<b>\$ 4,566</b>	<b>0</b>	<b>849</b>	<b>0</b>	<b>3,717</b>	

\*Adjustments were made to correctly record original issue premiums on prior year bond issue.

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.

(12) Deficit Net Position of Individual Funds.

The following funds reported deficits in net position at September 30, 2014:

Fund	Deficit Amount
EMS Services Fund	\$ 3,333
2009 Road and Bridge Bonds Interest and Sinking Fund	310

(13) Contingencies.

**Federal Grants** - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

**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.

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(14) 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 workers’ compensation coverage for volunteer firefighters and maintains liability insurance on all fire department apparatus. Neshoba County provided \$165,905 for the operation of the 12 districts in fiscal year 2014. The districts are as follows:

<u>District</u>	<u>Enabling Legislation</u>	<u>Funding</u>
Arlington Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	\$ 7,500
County Line Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
Dixon Community Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
East Neshoba Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Fairview Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
Hope Community Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
House Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Linwood Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Longino Central Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
North Bend Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Stallo Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
Tucker Community Volunteer Fire Co.	19-5-151, Miss. Code Ann. (1972)	7,500

(15) Joint Ventures.

The County participates in the following joint venture:

Neshoba County is a participant with Neshoba County General Hospital and Nursing Home in a joint venture, authorized by Section 45-55-1, Miss. Code Ann. (1972), to operate the Neshoba County Ambulance Enterprise. The joint venture was created to provide a public ambulance service to the citizens of the County. The joint venture is controlled by a five-member Enterprise Management Committee including the hospital’s Chief Executive Officer, Chief Financial Officer, and Director of Ambulance; the County’s Emergency Management Director and County Administrator. The County provided no direct financial support to the venture in fiscal year 2014, but was liable for capital leases on four ambulances with an outstanding principal balance at year-end of \$243,003. However, to date, this debt has been retired with payments received from the hospital.

(16) 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 \$557,861 for the maintenance and support of the college in fiscal year 2014.

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 2014.

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 2014.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke,

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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 \$17,996 for support of the commission in fiscal year 2014.

The Philadelphia-Neshoba County Museum Council is composed of five members, two of which are appointed by the Board of Supervisors. The County appropriated \$10,000 in financial support to the council in fiscal year 2014.

The Philadelphia-Neshoba Tourism Council was created by the Mississippi Legislature for the promotion of tourism and economic development in the City of Philadelphia and Neshoba County. The Board of Supervisors appoints two of the five members of the council. The County provided no financial support to the tourism council in fiscal year 2014.

The Pearl River Basin Development District operates in a district composed of the counties of Hancock, Leake, Lincoln, Marion, Neshoba, Pearl River, Pike, Scott, Simpson and Walthall. The Neshoba County Board of Supervisors appoints two of the 25 members of the District's Board of Directors. The County appropriated \$69,613 in financial support to the district in fiscal year 2014.

(17) 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, 2014, 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, 2014 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, 2014, 2013 and 2012 were \$633,202, \$562,521, and \$493,704, respectively, equal to the required contributions for each year.

(18) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Neshoba County evaluated the activity of the County through November 4, 2016, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, 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>
12/15/2014	1.87%	\$	193,114	Capital lease	Ad valorem taxes
06/01/2016	1.71%		123,467	Capital lease	Ad valorem taxes
06/14/2016	1.86%		89,900	Capital lease	Ad valorem taxes
06/14/2016	1.86%		85,226	Capital lease	Ad valorem taxes
06/14/2016	1.86%		214,159	Capital lease	Ad valorem taxes
08/05/2016	1.65%		283,909	Capital lease	Ad valorem taxes

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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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,717,000	4,867,145	4,867,145	
Licenses, commissions and other revenue	230,500	255,440	255,440	
Fines and forfeitures	304,000	275,994	275,994	
Contributions to permanent funds				
Intergovernmental revenues	1,008,000	1,067,998	1,067,998	
Charges for services	135,000	151,766	151,766	
Interest income	2,000	5,394	5,394	
Miscellaneous revenues	15,500	394,029	394,029	
Total Revenues	<u>6,412,000</u>	<u>7,017,766</u>	<u>7,017,766</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,158,658	3,495,959	3,495,959	
Public safety	2,170,633	2,531,448	2,531,448	
Health and welfare	110,887	117,523	117,523	
Culture and recreation	518,663	585,398	585,398	
Education	303,163	302,186	302,186	
Conservation of natural resources	63,996	75,547	75,547	
Economic development and assistance	65,000	65,000	65,000	
Debt service:				
Principal	88,361	76,630	76,630	
Interest	2,639	2,293	2,293	
Total Expenditures	<u>6,482,000</u>	<u>7,251,984</u>	<u>7,251,984</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(70,000)</u>	<u>(234,218)</u>	<u>(234,218)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		263,124	263,124	
Transfers out		(30,536)	(30,536)	
Other financing sources	70,000	8,539	8,539	
Other financing uses		(6,801)	(6,801)	
Total Other Financing Sources and Uses	<u>70,000</u>	<u>234,326</u>	<u>234,326</u>	<u>0</u>
Net Change in Fund Balance		108	108	
Fund Balance - Beginning	<u>465,000</u>	<u>522,708</u>	<u>522,808</u>	<u>100</u>
Fund Balance - Ending	<u>\$ 465,000</u>	<u>522,816</u>	<u>522,916</u>	<u>100</u>

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

Budget and Actual (Non-GAAP Basis)  
 Federal EOC Grant Fund  
 For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 1,613,422	1,166,008	1,166,008	
Total Revenues	<u>1,613,422</u>	<u>1,166,008</u>	<u>1,166,008</u>	
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>1,613,422</u>	<u>1,778,275</u>	<u>1,778,275</u>	
Total Expenditures	<u>1,613,422</u>	<u>1,778,275</u>	<u>1,778,275</u>	
Excess of Revenues over (under) Expenditures		<u>(612,267)</u>	<u>(612,267)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		<u>482,566</u>	<u>482,566</u>	
Total Other Financing Sources and Uses		<u>482,566</u>	<u>482,566</u>	
Net Change in Fund Balance		<u>(129,701)</u>	<u>(129,701)</u>	
Fund Balance - Beginning	<u>300,000</u>	<u>129,701</u>	<u>129,701</u>	
Fund Balance - Ending	<u>\$ 300,000</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

NESHOBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County Unit Road Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 428,000	463,796	463,796	
Road and bridge privilege	375,000	379,480	379,480	
Licenses, Commissions, and Other Revenues		6,572	6,572	
Fines and forfeitures	13,000			
Intergovernmental revenue	364,000	509,223	509,223	
Charges for services				
Interest income		71	71	
Miscellaneous revenue		19,228	19,228	
Total Revenues	<u>1,180,000</u>	<u>1,378,370</u>	<u>1,378,370</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>1,180,000</u>	<u>1,188,667</u>	<u>1,188,667</u>	
Total Expenditures	<u>1,180,000</u>	<u>1,188,667</u>	<u>1,188,667</u>	<u>0</u>
Excess of Revenues over (under) Expenditures		<u>189,703</u>	<u>189,703</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		<u>7,335</u>	<u>7,335</u>	
Total Other Financing Sources and Uses		<u>7,335</u>	<u>7,335</u>	<u>0</u>
Net Change in Fund Balance		197,038	197,038	
Fund Balance - Beginning	<u>133,000</u>	<u>209,696</u>	<u>209,696</u>	
Fund Balance - Ending	<u>\$ 133,000</u>	<u>406,734</u>	<u>406,734</u>	<u>0</u>

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

NESHOBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,200,000	1,161,964	1,161,964	
Charges for Services				
Interest Income		993	993	
Total Revenues	<u>1,200,000</u>	<u>1,162,957</u>	<u>1,162,957</u>	
<b>EXPENDITURES</b>				
Current:				
Public works	1,085,000	1,127,664	1,127,664	
Debt service:				
Principal	95,209	96,736	96,736	
Interest	19,791	18,491	18,491	
Total Expenditures	<u>1,200,000</u>	<u>1,242,891</u>	<u>1,242,891</u>	
Excess of Revenues over (under) Expenditures		(79,934)	(79,934)	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		54,133	54,133	
Total Other Financing Sources and Uses		<u>54,133</u>	<u>54,133</u>	
Net Change in Fund Balance		(25,801)	(25,801)	
Fund Balance - Beginning	380,000	348,737	348,737	
Fund Balance - Ending	<u>\$ 380,000</u>	<u>322,936</u>	<u>322,936</u>	<u>0</u>

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

NESHOBA COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2014

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 the 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:

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>EOC Federal Grant Fund</u>	<u>County Unit Road Fund</u>	<u>Countywide Bridge and Culvert Fund</u>
Budgetary (Cash) Basis	\$ 108	(129,701)	197,038	(25,801)
Increase (Decrease):				
Net adjustments for revenue accruals	(523,130)	(197,993)	7,109	(51,965)
Net adjustments for expenditure accruals	148,859	249,633	112,085	208,544
GAAP Basis	<u>\$ (374,163)</u>	<u>(78,061)</u>	<u>316,232</u>	<u>130,778</u>

NESHOBA COUNTY

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NESHOBA COUNTY

SUPPLEMENTAL INFORMATION

NESHOBA COUNTY

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NESHOBA COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation - Federal Highway Administration/ Passed through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 079 B(50)	\$ <u>22,770</u>
National Highway Traffic Safety Administration Passed through the Mississippi Department of Public Safety Alcohol open container requirements	20.607	14-ST-150-1	<u>36,377</u>
Total U.S. Department of Transportation			<u>59,147</u>
U.S. Department of Homeland Security/ Passed through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	1916-17	142,678
Emergency management performance grants	97.042	12EMP	5,226
Emergency management performance grants	97.042	14EMPL	25,534
Emergency operations center*	97.052	10EC050	<u>825,337</u>
Total U.S. Department of Homeland Security			<u>998,775</u>
Total Expenditures of Federal Awards			\$ <u><u>1,057,922</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

\* Denotes major federal award program

NESHOBA COUNTY

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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, 2014  
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
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
Lynell Coleman	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Vermanda Fuller	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
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
Blanket Bond	Deputy Tax Collectors	Travelers Casualty and Surety of America	\$50,000

NESHOBA COUNTY

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NESHOBA 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 4, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Neshoba County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Questioned Costs as 2014-001, 2014-002, 2014-003, 2014-004, 2014-006, 2014-007, 2014-008, and 2014-009 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-005, 2014-010 and 2014-011 to be significant deficiencies.

### **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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003, 2014-004, 2014-006, 2014-007 and 2014-008.

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 November 4, 2016, 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 Auditee's Corrective Action Plan. 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

November 4, 2016



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

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

Members of the Board of Supervisors  
Neshoba County, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited Neshoba County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2014. Neshoba County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

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

**Basis for Qualified Opinion on Emergency Operations Center**

As described in the accompanying Schedule of Findings and Questioned Costs, Neshoba County, Mississippi did not comply with requirements regarding CFDA 97.052 Emergency Operations Center as described in finding 2014-012 for Matching, Level of Effort, and Earmarking. Compliance with such requirements is necessary, in our opinion, for Neshoba County, Mississippi to comply with the requirements applicable to that program.

## Qualified Opinion on Emergency Operations Center

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Neshoba County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Emergency Operations Center program for the year ended September 30, 2014.

## Report on Internal Control Over Compliance

Management of Neshoba County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neshoba County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-012 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

November 4, 2016



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

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

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have examined Neshoba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. 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, 2014.

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

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

November 4, 2016

NESHOBA COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2014

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, 2014

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, 2014

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, 2014, 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 November 4, 2016, 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. Controls over repayment of interfund advances should be strengthened.

Finding

As reported in the prior year's audit report, the County has interfund loans outstanding that are over a year old. These interfund loans totaled \$434,802 as of September 30, 2014. These advances relate to a loan to make a debt service payment; indirect costs, payroll, and operating costs associated with garbage collection activities; services provided to 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

Neshoba County is working to re-pay said outstanding interfund loans.

### 2. Issues regarding segregation of duties exist for the AS400 Administrator.

#### Finding

As reported in the prior year's audit report, 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

This finding has been corrected concerning the reporting structure since fiscal year 2015. There are only two user IDs with special authorities for which logging has been activated. Additionally, the administrative user ID for making changes has been segregated with logging also.

### 3. Neshoba County should strengthen passwords.

#### Finding

As reported in the prior year's audit report, 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 password parameters to comply with password management best practices and industry standards.

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

#### Finding

As reported in the prior year's audit report, 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 buildings 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 required recovery.

### Board of Supervisors' Response

Neshoba County has already implemented a plan where backup files, in rotation, are taken off-site on a continual rotating basis and kept in a safe location.

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

### Finding

As reported in the prior year's audit report, 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

Neshoba County has a plan in process to further secure its designated server room and improve environmental monitoring equipment.

6. Neshoba County should set all individuals' passwords to expire on a periodic basis.

As reported in the prior year's audit report, a review of Neshoba County's security settings revealed that some users' 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, upon adoption and implementation of an information security policy, which includes a password policy with expiration intervals, will comply with this recommendation.

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

### Finding

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. As reported in the prior year's audit report, we noted that Neshoba County's system did not display appropriate network banners on its internal network.

### Recommendation

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

Board of Supervisors' Response

Neshoba County will work to comply with this recommendation for all future software/network upgrades.

8. PERS Retirees should not be paid more than one-half salary of their position.

Finding

Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year. During our test work, we noted that a PERS retiree was paid more than one-half of the salary for his/her position during fiscal year 2014. By overpaying PERS retirees, the County is not in compliance with state legal requirements.

Recommendation

The County should ensure that PERS retirees are not being paid more than the allowable amount.

Board of Supervisors' Response

Neshoba County recognizes that said employee of this finding was in a non-full time position from July 1, 2013 until February 6, 2014 at which time said employee returned to full time status. Earnings by said employee during this time were below the set threshold established. Neshoba County also recognizes that when said employee came out of retirement back to full-time status, the payroll clerk, at that time, did not begin retirement withholding from the employee until April of 2014 even though the County's matching portion was being withheld. Neshoba County will give special consideration to those retirees who are working with the County to ensure that they are not being paid more than the allowable amount and are reported to PERS correctly.

9. The County should create a separate fund to account for monies received from the State Elections Support Fund.

Finding

Section 23-15-5(2)(a)(i), Miss. Code Ann., (1972), requires that monies distributed to the county from the Elections Support Fund shall be used for the purpose of acquiring, upgrading, maintaining or repairing voting equipment, systems and supplies, hiring temporary technical support, conduction elections using such voting equipment or systems and training elections officials. Furthermore, the cover letter received from the Mississippi Secretary of State with the County's check specifically states that the funds are to be deposited to an account (fund) specially designated by the County for receipt of such funds. It was noted during our audit procedures that the monies received by the County from the Elections Support Fund were comingled in the General Fund with unrestricted monies. Due to the deposit of the restricted monies into the General Fund, we were unable to determine whether they were expended for allowable purposes.

Recommendation

The County should establish a separate fund to account for the receipt and expenditure of the Election Support Fund monies.

Board of Supervisors' Response

Neshoba County has established a separate fund (Fund #111) for monies distributed from the elections support fund, beginning in fiscal year 2015.

10. The County should implement controls to ensure distributions of highway privilege taxes and additional privilege taxes are settled according to state statute.

Finding

Section 27-19-11, Miss. Code Ann. (1972), states that the counties shall distribute the proceeds of highway privilege taxes and additional privilege taxes collected by the state as they would if these collections were ad valorem taxes. In fiscal year 2014, the County distributed \$48,521 of these taxes to the City of Philadelphia, Philadelphia City Schools, and the Town of Union. The County does not levy ad valorem taxes for these entities and accordingly, should not distribute any of the highway privilege taxes or additional privilege taxes to them. Additionally, the balance of these taxes were not distributed to the various county funds for which the County levied taxes. The failure to properly distribute these taxes is a violation of state statute and resulted in the funds being expended for purposes not authorized by law.

Recommendation

The Board of Supervisors should implement internal controls to ensure highway privilege taxes and additional privilege taxes are distributed according to state statute.

Board of Supervisors' Response

Neshoba County has already implemented this recommendation.

Chancery Clerk.

11. The Chancery Clerk should keep and preserve a complete and correct record of all Board proceedings.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep and preserve a complete and correct record of all Board proceedings. As of May 12, 2016, the minutes for meetings after November 3, 2014 are not recorded in the minute book. Failure to record the minutes in a timely manner could result in unlawful acts as there is no record as to the actions of the Board.

Recommendation

The Chancery Clerk should ensure the minutes for all Board meetings are recorded in the minute book.

Chancery Clerk's Response

All minute books will be current by June 3, 2016. Future board minutes will be recorded monthly in the minute books.

12. Synopsis of the audit report was not published.

Finding

Section 7-7-221 (1), Miss. Code Ann. (1972), requires a synopsis of the annual report of the fiscal and financial affairs of the county to be published as soon as possible after the Chancery Clerk receives a copy of the report. The Chancery Clerk did not publish the 2013 audit report. The failure to publish the audit synopsis places the County in violation of state statute. The failure to publish the audit synopsis places the county in violation of state statute.

Recommendation

The Chancery Clerk should take steps to ensure a synopsis of the annual audit report is published as required.

Chancery Clerk's Response

I did fail to publish this report. It has now been published (May 25, 2016 in the Neshoba Democrat). I will not make this error in the future.

13. The Clerk should maintain a complete and accurate fee journal and reconcile bank statements to the fee journal.

Finding

An effective system of internal control should include maintaining a complete and accurate fee journal and reconciling the monthly bank statements to the fee journal. The following errors were noted in the Clerk's fee journal for 2014:

1. No corresponding expense was recorded for disbursements of cash.
2. Numerous transactions were noted on the bank statements that were not recorded in the fee journal.
3. Some disbursements for payroll taxes were recorded twice in the fee journal.
4. The bank statements were not reconciled to the fee journal.

Failure to properly maintain the fee journal and reconcile the bank statements to the fee journal could result in the loss of public funds and the reporting of erroneous information on the Clerk's Annual Financial Report.

Recommendation

The Chancery Clerk should establish controls to ensure the fee journal is complete and accurate and that bank statements are reconciled to the journal on a monthly basis.

Chancery Clerk's Response

All disbursements of cash which were not shown on my fee journal were "personal draws", I was unaware my report needed to reflect personal draws. Any credits/deposits reflected on my bank statement, but not on my fee journal, were personal deposits. I was unaware that I was required to show on my fee journal checks (debits)/expenses that were not allowable deductions/expenses. Bank statement deposits/credits and checks/debits were reconciled monthly with my fee journal. Although I didn't reconcile to bank balance, my monthly and annual income and expenses were reconciled to bank. My annual report figures do match the annual numbers reflected on my fee journal. In the future, I will make adjustments (those recommended here) to my fee journal to reflect all bank transactions. And, I will reconcile my bank statement balances to my fee journal.

14. Tax Collector.

Deputy Tax Collectors should be bonded individually and the bonds should be written for the term of employment.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each deputy tax collector to give bond, payable, conditioned and approved as provided by law in an amount not less than fifty thousand dollars (\$50,000.00) for the faithful discharge of his duties. Section 25-1-15(1), Miss. Code Ann. (1972), requires a new bond in the amount required by law to be secured upon employment and coverage shall continue by securing a new bond every four years concurrent with the normal election cycle of the local government applicable to the employee. The deputy tax collectors' bonds were issued under an indefinite blanket bond rather than individual bonds expiring at the end of the tax collector's term. In the event of a loss of public funds involving the deputy tax collectors, the County would be responsible for recovery of funds and have incurred an unnecessary liability. In the event of a loss of public funds over multiple terms, the amount available to the county for recovery would be limited.

Recommendation

The Tax Collector should ensure that all deputies are bonded individually upon employment and that the deputies' bonds are secured for the duration of the current term.

Tax Collector's Response

We have bonded each clerk individually as to follow the recommendation of the State Audit Department.



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.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

November 4, 2016

NESHOBA COUNTY

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NESHOBA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NESHOBA COUNTY

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NESHOBA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

**Financial Statements:**

1.	Type of auditor's report issued:	
	Governmental activities	Unmodified
	Business-type activities	Unmodified
	Aggregate discretely presented component units	Adverse
	General Fund	Unmodified
	Federal EOC Grant Fund	Unmodified
	County Unit Road Fund	Unmodified
	Countywide Bridge and Culvert Fund	Unmodified
	Aggregate remaining fund information	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	Yes
3.	Noncompliance material to financial statements noted?	Yes

**Federal Awards:**

4.	Internal control over major federal programs:	
	a. Material weakness identified?	Yes
	b. Significant deficiency identified?	None Reported
5.	Type of auditor's report issued on compliance for major federal programs:	
	a. 97.052 – Emergency Operations Center	Qualified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133?	Yes
7.	Identification of major federal programs:	
	a. 97.052 – Emergency Operations Center	
8.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as low-risk auditee?	No

NESHOBA COUNTY

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NESHOPA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2014-001. 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 seven 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 inclusion in the County's financial statements.

Material Weakness

2014-002. Excess overtime paid was without proper approval.

Finding

An effective system of internal control over payroll expenditures should include an approval of payroll overtime. As reported in the prior year's audit report, our payroll test-work revealed several salaried employees who were paid excessive overtime without proper approval or adequate justification. The individuals who received the unapproved payroll were terminated, investigated, charged and sentenced as of September 22, 2016. Failure to have an adequate system of review of payroll expenditures could result in the loss of 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 Supervisor's Response

Neshoba County has implemented a system of internal control policies to comply with this recommendation.

NESHOPA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Material Weakness  
Material Noncompliance

- 2014-003. Internal controls over the use of funds levied for maintenance and construction of roads should be strengthened.

Finding

Section 27-39-305, Miss. Code Ann. (1972), restricts the use of funds levied for the maintenance and construction of roads to that purpose. As reported in the prior year's audit report, it was noted that the County expended \$45,162 from the County Unit Road Fund to cover payroll expenses incurred by the Solid Waste Department. The failure to adequately restrict the use of funds levied for road maintenance and construction is in 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.

Material Weakness  
Material Noncompliance

- 2014-004. Internal controls over the use of funds levied for maintenance and construction of bridges and installation and replacement of culverts should be strengthened.

Finding

Section 65-15-17, Miss. Code Ann. (1972), restricts the use of funds levied for the maintenance and/or construction of bridges and culverts. As reported in the prior year's audit report, it was noted that the County expended \$208,904 from the Countywide Bridge and Culvert Fund to cover expenses related to payroll, which were incurred by the Solid Waste Department. The failure to adequately restrict the use of funds levied for bridge construction and maintenance and culvert installation and replacement is in direct violation of Section 65-15-17, 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.

Significant Deficiency.

- 2014-005. 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.



NESHOBA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

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.

Material Weakness

Material Noncompliance

2014-006. The County issued and delivered a warrant prior to approval by the Board of Supervisors.

Finding

Section 31-19-9, Miss. Code Ann. (1972), states that it shall be the duty of the clerk of the board of supervisors on the allowance of said board to issue a warrant against the proper fund for the amount of principal and interest due on bonds or other obligations and to forward exchange to the paying agent. The County issued warrant number 75502 in the amount of \$259,281.25 for the payment of principal and interest due on outstanding bonds. Although said warrant was dated October 1, 2014, it cleared the County's bank account on September 26, 2014, but was not approved by the Board of Supervisors until September 29, 2014. This situation places the County in direct violation of state statute.

Recommendation

The Board of Supervisors should implement internal controls to ensure that warrants are not delivered prior to approval by the Board or the date of the warrant.

Material Weakness

Material Noncompliance

2014-007. Tax levies should be sufficient to pay principal and interest on bonds.

Finding

Section 19-9-9, Miss. Code Ann. (1972), requires the Board of Supervisors to levy sufficient taxes to provide for the payment of the principal of and the interest on bonds according to the terms thereof. Four of the County's five debt service funds, the 2009 Refunding Bond Fund, the 2009 Road and Bridge Bond Fund, the 2011 Refunding Bond Fund, and the 2013 Solid Waste/EOC Bond Fund, all sustained a negative cash balance because the proceeds of the corresponding levy were not sufficient to pay the bond principal and interest payments when due. Failure to levy taxes at a sufficient rate caused deficit fund balances and could result in the misuse of funds restricted for other purposes.

NESHOBA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Recommendation

The Board of Supervisors should implement controls to ensure the proceeds of the debt service levies are sufficient to pay the obligations when due.

Material Weakness  
Material Noncompliance

2014-008. The County should implement controls to ensure tax levies are within statutorily-imposed limits.

Finding

Section 27-39-329(2)(b), Miss. Code Ann. (1972), states that each county shall levy each year an ad valorem tax of one (1) mill upon all taxable property of the county which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax, but the avails of such tax levy shall not be expended unless and until the State Tax Commission has certified that the county has a method of maintaining assessment records in accordance with commission rules and regulations, has an ownership mapping system as provided in Section 27-35-53 in conformity with commission specifications, maintains certified appraisers as provided in Section 27-3-52, and complies with requests by the commission for sales data under Section 27-3-51. For fiscal year 2014, the County levied 2.00 mills under Section 27-39-329. The adoption of the 2.00 mill levy for the purpose of maintaining tax rolls after reappraisal or any purpose authorized by law resulted in the collection of \$147,908 in ad valorem taxes in excess of the statutory limit and places the County in violation of state statute.

Recommendation

The Board of Supervisors should establish internal controls to ensure all levies are within prescribed statutory limits.

Material Weakness

2014-009. Controls over financial statement preparation should be strengthened.

Finding.

An effective system of internal control over financial statement presentation and reporting in accordance with generally accepted accounting principles should include adequate and accurate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures, proper classification of revenues and expenditures/expenses, determination of major governmental funds, and the inclusion of all required disclosures in the notes to the financial statements.

We noted the following deficiencies in the financial statement preparation and reporting.

- a. The documentation provided for the compilation of individual funds' balances and transactions and the adjustments to these balances and transactions did not provide sufficient accurate detail as to the specific revenue sources in order to facilitate proper revenue classification in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances. The documentation provided also did not provide sufficient accurate detail in regard to adjustments made to balances and transactions.
- b. The governmental funds' balance sheets do not balance due to the reporting of \$3,676,414 twice in the liabilities section as unearned revenue and deferred inflows of resources.

## NESHOBA COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

- c. No major governmental funds were reported in the compiled financial statements as required by generally accepted accounting principles.
- d. Reversing journal entries in the amount of \$176,635 were recorded by the County for prior-year adjusting journal entries that should not have been reversed because they were either reclassifying journal entries or reconciling items that do not carry forward to the subsequent year.
- e. Reversing journal entries in the amount of \$259,255 were posted to incorrect revenue or expenditure/expense accounts.
- f. The journal entry to reverse the amount of homestead exemption funds due to other governmental entities as of September 30, 2013, was recorded by the County as if the purpose was to reverse a receivable rather than a payable, resulting in a total misstatement of \$235,200.
- g. A temporary loan in the amount of \$346,238 from the General Fund to the Solid Waste Fund that was recorded solely for financial statement purposes (in accordance with generally accepted accounting principles) due to a deficit cash balance in the Solid Waste Fund as of September 30, 2012, and did not result in the actual transfer of funds, was erroneously included in the beginning receivable balance of the General Fund and Governmental Activities, and in the beginning payable balance of the Solid Waste Fund and Business-type Activities.
- h. A current-year loan repayment of \$263,124 from the Solid Waste Fund to the General Fund was recorded in the County's general ledger and was also duplicated in an adjusting journal entry recorded by the County during the compilation process; this resulted in the overstatement of the year-end cash balance of the General Fund and governmental activities and the understatement of the year-end cash balance of the Solid Waste Fund and Business-type Activities by the amount of the repayment.
- i. An adjusting journal entry was erroneously recorded by the county to reverse an interfund transfer in the amount of \$482,566 between governmental funds. Generally accepted accounting principles state that no interfund activity should be eliminated in the Governmental Fund Financial Statements.
- j. The beginning balance of interfund receivables of the County Unit Road Fund and the Countywide Bridge and Culvert Fund were overstated and understated, respectively, by \$158,004.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.

#### Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and recording in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions; proper accrual of revenues and expenditures/expenses; proper classification of revenues and expenditures/expenses; proper posting of transactions; proper classification of net assets and fund balances; accurate reporting of debt; and the inclusion of all required disclosures in the notes to the financial statements.

NESHOBA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Significant Deficiency

- 2014-010. The County should establish controls to ensure the Schedule of Expenditures of Federal Awards is accurately prepared.

Finding

An effective system of internal control over federal grants should include adequate and complete subsidiary records documenting all revenues and expenditures relating to each federal grant received. The County included expenditures which were not expenditures of federal funds on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2014. Additionally, the identifying number and/or program name were reported incorrectly for three programs on the County's schedule. The failure to accurately prepare the Schedule of Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of omitting a federal program on the Schedule of Expenditures of Federal Awards.

Recommendation

The County should maintain adequate subsidiary records documenting all receipts, expenditures, and relevant information relating to each federal grant received.

Justice Court Clerk  
Significant Deficiency

- 2014-011. The Justice Court Clerk should implement internal controls over cash.

Finding

An effective system of internal control should include maintaining accurate cash journals and reconciling the bank statements to the cash journals. Certain receipts for civil cases were posted to the criminal cash journal. Additionally, the bank statements were not reconciled to the cash journals. Failure to accurately record cash transactions and to reconcile the bank statements to the cash journals could result in the loss and/or misappropriation of county funds.

Recommendation

The Justice Court Clerk should implement controls to ensure all cash receipts are posted to the appropriate cash journal and the bank statements are reconciled to the cash journals in a timely manner.

NESHOBA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Section 3: Federal Award Findings and Questioned Costs

2014-012. In-kind contributions should be computed in accordance with the applicable cost principles.

CFDA 97.052 Emergency Operations Center  
Award number 10EC050  
U.S. Department of Homeland Security, Passed through the Mississippi Emergency  
Management Agency

Material Weakness  
Material Noncompliance

Compliance Requirement: Matching, Level of Effort, Earmarking

OMB Circular A-87, attachment B, item 11 dictates that the computation of depreciation or use allowances for the use of fixed assets on hand shall be based on the acquisition cost of the assets involved. In-kind contributions for use of county-owned equipment on the construction project were computed using FEMA's Schedule of Equipment Rates, which are approved for use only in the case of presidentially-declared disasters. Failure to accurately compute the amounts claimed as in-kind contributions to meet the grant's matching requirement resulted in the costs being reported as questioned costs and could result in the County being required to repay these funds to the federal government.

Questioned Costs: \$56,976

Recommendation

The Board of Supervisors should take steps to ensure that all amounts claimed as in-kind contributions are computed in accordance with the applicable cost circular.

NESHOBA COUNTY

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NESHOBA COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

NESHOBA COUNTY

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**NESHOBA COUNTY BOARD OF SUPERVISORS**

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**KEITH LILLIS**  
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**KEVIN CUMBERLAND**  
DISTRICT TWO

**JERRY GOFORTH**  
DISTRICT THREE

**ALLEN WHITE**  
DISTRICT FOUR

**OBIE RILEY**  
DISTRICT FIVE

**CORRECTIVE ACTION PLAN**

Office of the State Auditor  
501 N. West Street, Suite 801  
Jackson, Mississippi 39201

Neshoba County respectfully submits the following corrective action plan for the year ended September 30, 2014.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

**SECTION 2: FINANCIAL STATEMENT FINDINGS**

2014-001. Corrective Action Planned:

Neshoba County will work to include financial data for its discrete component units in the future.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-002. Corrective Action Planned:

Neshoba County has implemented a system of internal control policies to comply with this recommendation.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-003. Corrective Action Planned:

Controls are now in place to ensure proper usage of legally restricted funds.

Anticipated Completion Date: September 30, 2015

[www.neshobacounty.net](http://www.neshobacounty.net)

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-004. Corrective Action Planned:

Controls are now in place to ensure proper usage of legally restricted funds.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-005. Corrective Action Planned:

Neshoba County has developed an information security policy which will be incorporated into the forthcoming revised personnel policies and procedures manual and will be implemented upon its adoption. The policy developed incorporates these best practices.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-006. Corrective Action Planned:

Neshoba County has implemented internal controls to effectuate this recommendation.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-007. Corrective Action Planned:

Neshoba County will implement controls to ensure the proceeds of debt service levies are sufficient.

Anticipated Completion Date: September 30, 2016

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-008. Corrective Action Planned:

Neshoba County acknowledges that the levy should have been worded with the authority authorized under Section 27-39-325 for Reappraisal and the authority granted under this section for maintaining tax rolls after reappraisal.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-009. Corrective Action Planned:

A system of internal controls over financial statement preparation will be implemented.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-010. Corrective Action Planned:

Controls over maintenance of subsidiary grant documents for future grants will be implemented.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281

2014-011. Corrective Action Planned:

Controls will be implemented to account for cash balances.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Kathy Warren, Justice Court Clerk (601)656-4053

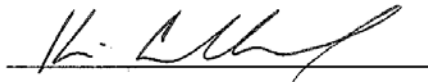
**SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2014-012. Corrective Action Planned:

Neshoba County will ensure that all in-kind contributions for federal grant awards are computed in accordance with the corresponding applicable cost circulars for future grant awards.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:  
Jeff Mayo (601)656-6281



President, Neshoba County Board of Supervisors