

NESHOBA COUNTY, MISSISSIPPI

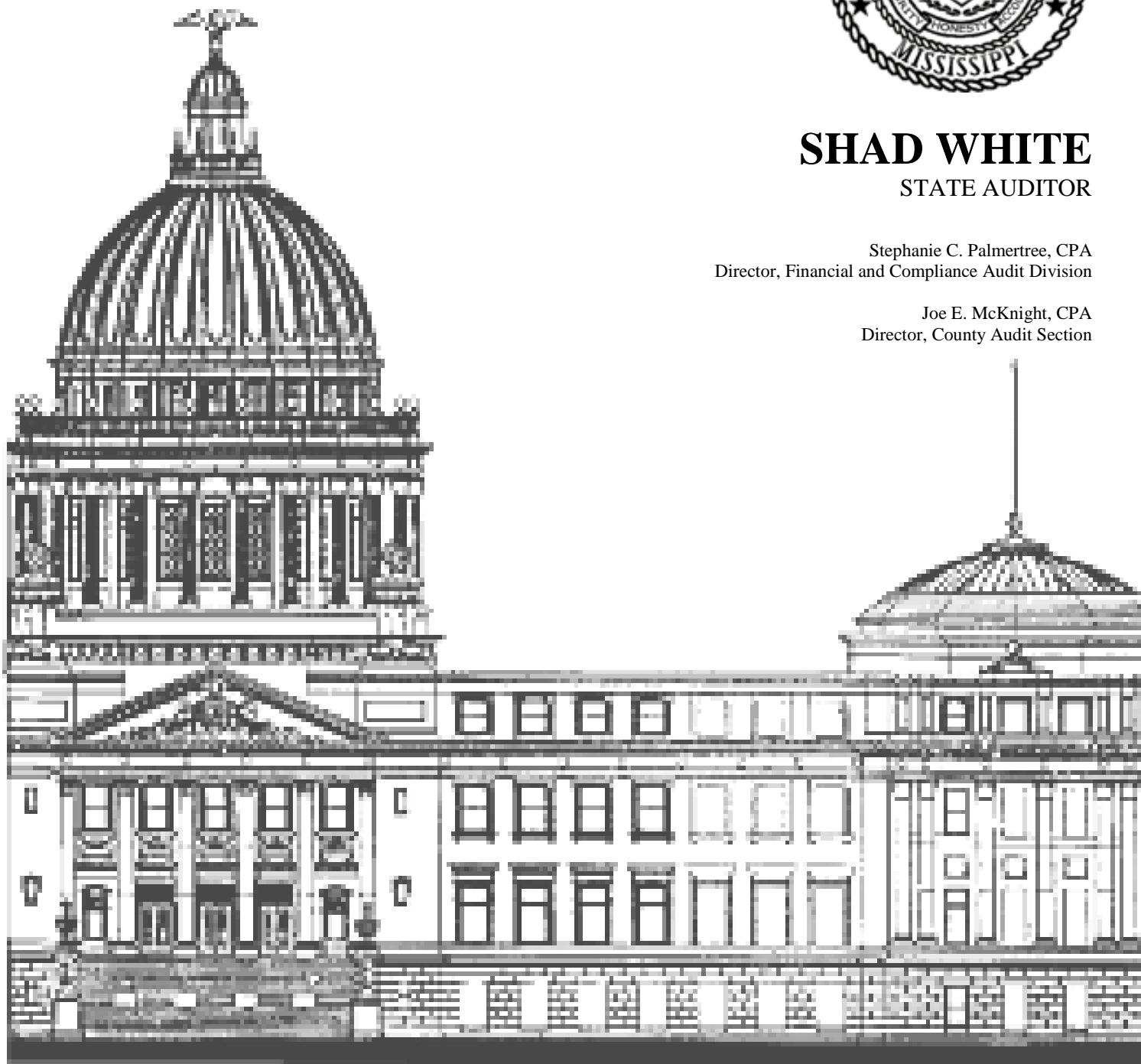
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2019



SHAD WHITE
STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

Shad White
AUDITOR

November 16, 2020

Members of the Board of Supervisors
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2019 financial and compliance audit report for Neshoba County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Shad White

NESHOBA COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

FINANCIAL STATEMENTS 7

 Statement of Net Position 9

 Statement of Activities 10

 Balance Sheet - Governmental Funds 11

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

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

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

 Statement of Net Position - Proprietary Fund 15

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

 Statement of Cash Flows - Proprietary Fund 17

 Statement of Fiduciary Assets and Liabilities 18

 Notes to Financial Statements 19

REQUIRED SUPPLEMENTARY INFORMATION 39

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

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

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

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

 Schedule of County Contributions 45

 Notes to the Required Supplementary Information 47

OTHER INFORMATION 51

 Schedule of Surety Bonds for County Officials 53

SPECIAL REPORTS 55

 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* 57

 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)) 59

 Limited Internal Control and Compliance Review Management Report 65

SCHEDULE OF FINDINGS AND RESPONSES 67

NESHOBA COUNTY

FINANCIAL SECTION

NESHOBA COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
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, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Neshoba County, Mississippi, as of September 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2019 on our consideration of Neshoba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neshoba County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neshoba County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 16, 2019

NESHOBA COUNTY

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NESHOBA COUNTY

FINANCIAL STATEMENTS

NESHOBA COUNTY

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NESHOBA COUNTY
Statement of Net Position
September 30, 2019

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 7,918,462	153,836	8,072,298
Property tax receivable	8,728,705		8,728,705
Accounts receivable (net of allowance for uncollectibles of \$386,148)		218,560	218,560
Fines receivable (net of allowance for uncollectibles of \$4,892,768)	780,654		780,654
Intergovernmental receivables	354,447		354,447
Other receivables	33,827		33,827
Internal balances	531,400	(531,400)	
Capital assets:			
Land and construction in progress	3,414,313	50,585	3,464,898
Other capital assets, net	21,935,323	357,803	22,293,126
Total Assets	43,697,131	249,384	43,946,515
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	620,670	27,366	648,036
Deferred amount on refunding	112,026		112,026
Total Deferred Outflows of Resources	732,696	27,366	760,062
LIABILITIES			
Claims payable	214,250	9,698	223,948
Intergovernmental payables	293,710		293,710
Accrued interest payable	48,129		48,129
Unearned revenue		15,340	15,340
Other payables	28,348		28,348
Long-term liabilities			
Net pension liability	10,818,536	506,825	11,325,361
Due within one year:			
Capital debt	1,454,883		1,454,883
Due in more than one year:			
Capital debt	8,303,829		8,303,829
Non-capital debt	119,888	3,648	123,536
Total Liabilities	21,281,573	535,511	21,817,084
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	119,226	11,709	130,935
Deferred revenues - property taxes	8,728,705		8,728,705
Total Deferred Inflows of Resources	8,847,931	11,709	8,859,640
NET POSITION			
Net investment in capital assets	15,702,950	408,388	16,111,338
Restricted for:			
Expendable:			
General government	96,524		96,524
Public safety	1,062,284		1,062,284
Public works	3,634,612		3,634,612
Culture and recreation	48,056		48,056
Debt service	224,215		224,215
Unrestricted	(6,468,318)	(678,858)	(7,147,176)
Total Net Position	\$ 14,300,323	(270,470)	14,029,853

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

NESHOBA COUNTY
Statement of Activities
For the Year Ended September 30, 2019

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	\$ 3,318,724	729,613	224,234		(2,364,877)		(2,364,877)
Public safety	3,712,254	571,696	453,656		(2,686,902)		(2,686,902)
Public works	2,833,544		644,030	1,622,104	(567,410)		(567,410)
Health and welfare	103,355		40,424		(62,931)		(62,931)
Culture and recreation	635,882				(635,882)		(635,882)
Conservation of natural resources	68,079				(68,079)		(68,079)
Economic development and assistance	80,000				(80,000)		(80,000)
Interest on long-term debt	299,301				(299,301)		(299,301)
Pension expense	1,164,006				(1,164,006)		(1,164,006)
Total Governmental Activities	<u>12,215,145</u>	<u>1,301,309</u>	<u>1,362,344</u>	<u>1,622,104</u>	<u>(7,929,388)</u>		<u>(7,929,388)</u>
Business-type activities:							
Solid Waste	616,806	592,425	11,539			(12,842)	(12,842)
Total Business-type Activities	<u>616,806</u>	<u>592,425</u>	<u>11,539</u>	<u>0</u>		<u>(12,842)</u>	<u>(12,842)</u>
Total Primary Government	<u>\$ 12,831,951</u>	<u>1,893,734</u>	<u>1,373,883</u>	<u>1,622,104</u>	<u>(7,929,388)</u>	<u>(12,842)</u>	<u>(7,942,230)</u>
General revenues:							
Property taxes					\$ 8,647,173		8,647,173
Road & bridge privilege taxes					347,134		347,134
Grants and contributions not restricted to specific programs					730,500		730,500
Unrestricted interest income					50,106	1,239	51,345
Miscellaneous					1,021,462	92,284	1,113,746
Total General Revenues					<u>10,796,375</u>	<u>93,523</u>	<u>10,889,898</u>
Changes in Net Position					<u>2,866,987</u>	<u>80,681</u>	<u>2,947,668</u>
Net Position - Beginning					<u>11,433,336</u>	<u>(351,151)</u>	<u>11,082,185</u>
Net Position - Ending					<u>\$ 14,300,323</u>	<u>(270,470)</u>	<u>14,029,853</u>

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

NESHOBA COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2019

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
ASSETS					
Cash	\$ 3,224,759	1,527,483	1,249,636	1,916,584	7,918,462
Property tax receivable	5,637,873	512,223	1,516,914	1,061,695	8,728,705
Fines receivable (net of allowance for uncollectibles of \$4,892,768)	780,654				780,654
Intergovernmental receivables	292,391	62,056			354,447
Other receivables	11,547			22,280	33,827
Due from other funds	45,057	37,295	27,911	22,013	132,276
Advances to other funds	154,550	30,896	319,697		505,143
Total Assets	<u>\$ 10,146,831</u>	<u>2,169,953</u>	<u>3,114,158</u>	<u>3,022,572</u>	<u>18,453,514</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 131,019	28,547	23,180	31,504	214,250
Intergovernmental payables	293,710				293,710
Due to other funds	87,219				87,219
Advances from other funds				18,800	18,800
Other payables	28,348				28,348
Total Liabilities	<u>540,296</u>	<u>28,547</u>	<u>23,180</u>	<u>50,304</u>	<u>642,327</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	5,637,873	512,223	1,516,914	1,061,695	8,728,705
Unavailable revenue - fines	780,654				780,654
Total Deferred Inflows of Resources	<u>6,418,527</u>	<u>512,223</u>	<u>1,516,914</u>	<u>1,061,695</u>	<u>9,509,359</u>
Fund balances:					
Nonspendable:					
Advances	154,550				154,550
Restricted for:					
General government				96,524	96,524
Public safety				1,062,284	1,062,284
Public works		1,629,183	1,574,064	431,365	3,634,612
Culture and recreation				48,056	48,056
Debt service				272,344	272,344
Unassigned	3,033,458				3,033,458
Total Fund Balances	<u>3,188,008</u>	<u>1,629,183</u>	<u>1,574,064</u>	<u>1,910,573</u>	<u>8,301,828</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,146,831</u>	<u>2,169,953</u>	<u>3,114,158</u>	<u>3,022,572</u>	<u>18,453,514</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, 2019

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,301,828
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 \$21,447,843.	25,349,636
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	780,654
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(9,878,600)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,818,536)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(48,129)
Deferred amount on refunding	112,026
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	620,670
Deferred inflows of resources related to pensions	<u>(119,226)</u>
Total Net Position - Governmental Activities	\$ <u><u>14,300,323</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
REVENUES					
Property taxes	\$ 5,524,338	507,602	1,509,501	1,105,732	8,647,173
Road and bridge privilege taxes		347,134			347,134
Licenses, commissions and other revenue	247,964			12,018	259,982
Fines and forfeitures	459,706			700	460,406
Intergovernmental revenues	1,055,373	644,030	380,049	1,635,496	3,714,948
Charges for services	166,344			346,264	512,608
Interest income	25,292	7,380	6,870	10,564	50,106
Miscellaneous revenues	437,014	6,791		451,560	895,365
Total Revenues	<u>7,916,031</u>	<u>1,512,937</u>	<u>1,896,420</u>	<u>3,562,334</u>	<u>14,887,722</u>
EXPENDITURES					
Current:					
General government	3,436,005			22,830	3,458,835
Public safety	2,981,895			1,708,545	4,690,440
Public works		1,055,061	1,888,739	872,255	3,816,055
Health and welfare	103,355				103,355
Culture and recreation	603,170			110,416	713,586
Conservation of natural resources	68,079				68,079
Economic development and assistance	80,000				80,000
Debt service:					
Principal	282,394	33,318	60,085	1,112,820	1,488,617
Interest	55,636	796	6,027	210,184	272,643
Total Expenditures	<u>7,610,534</u>	<u>1,089,175</u>	<u>1,954,851</u>	<u>4,037,050</u>	<u>14,691,610</u>
Excess of Revenues over (under) Expenditures	<u>305,497</u>	<u>423,762</u>	<u>(58,431)</u>	<u>(474,716)</u>	<u>196,112</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	250,000			694,842	944,842
Proceeds from sale of capital assets	200,005				200,005
Compensation for loss of capital assets	7,367				7,367
Transfers in				3,778	3,778
Transfers out				(3,778)	(3,778)
Total Other Financing Sources and Uses	<u>457,372</u>			<u>694,842</u>	<u>1,152,214</u>
Net Changes in Fund Balances	<u>762,869</u>	<u>423,762</u>	<u>(58,431)</u>	<u>220,126</u>	<u>1,348,326</u>
Fund Balances - Beginning	<u>2,425,139</u>	<u>1,205,421</u>	<u>1,632,495</u>	<u>1,690,447</u>	<u>6,953,502</u>
Fund Balances - Ending	<u>\$ 3,188,008</u>	<u>1,629,183</u>	<u>1,574,064</u>	<u>1,910,573</u>	<u>8,301,828</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, 2019

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,348,326
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,057,049 exceeded depreciation of \$1,530,202 in the current period.	1,526,847
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 gain of \$126,097 and the proceeds from the sale of \$200,005 and the compensation for loss of \$7,367 in the current period.	(81,275)
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.	68,313
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 \$1,488,617 exceeded debt proceeds of \$944,842.	543,775
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences liability	8,305
The amount of increase in accrued interest payable	(9,298)
The amortization of bond deferred refunding	(24,082)
The amortization of bond premium	6,722
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,164,006)
Recording of contributions made during the year	<u>643,360</u>
Change in Net Position of Governmental Activities	<u>\$ 2,866,987</u>

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

NESHOBA COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2019

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 153,836
Accounts receivable (net of allowance for uncollectibles of \$386,148)	218,560
Total Current Assets	<u>372,396</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	50,585
Other capital assets, net	357,803
Total Noncurrent Assets	<u>408,388</u>
Total Assets	<u>780,784</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	27,366
Total Deferred Outflows of Resources	<u>27,366</u>
LIABILITIES	
Current liabilities:	
Claims payable	9,698
Due to other funds	45,057
Advances from other funds	486,343
Unearned revenue	15,340
Total Current Liabilities	<u>556,438</u>
Noncurrent liabilities:	
Net pension liability	506,825
Non-capital debt:	
Compensated absences payable	3,648
Total Noncurrent Liabilities	<u>510,473</u>
Total Liabilities	<u>1,066,911</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	11,709
Total Deferred Inflows of Resources	<u>11,709</u>
NET POSITION	
Net investment in capital assets	408,388
Unrestricted	(678,858)
Total Net Position	<u>\$ (270,470)</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, 2019

Exhibit 6

	Business-type Activities - Enterprise Funds
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 592,425
Miscellaneous	92,284
Total Operating Revenues	<u>684,709</u>
Operating Expenses	
Personal services	258,240
Contractual services	133,734
Materials and supplies	75,676
Depreciation expense	55,719
Indirect administrative cost	45,057
Pension expense	48,380
Total Operating Expenses	<u>616,806</u>
Operating Income (Loss)	<u>67,903</u>
Nonoperating Revenues (Expenses)	
Interest income	1,239
Intergovernmental grants	11,539
Net Nonoperating Revenue (Expenses)	<u>12,778</u>
Changes in Net Position	<u>80,681</u>
Net Position - Beginning	<u>(351,151)</u>
Net Position - Ending	<u>\$ (270,470)</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, 2019

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 567,216
Payments to suppliers	(224,869)
Payments to employees	(287,477)
Other operating cash receipts	92,283
Net Cash Provided (Used) by Operating Activities	<u>147,153</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	11,539
Cash paid to other funds:	
Interfund loan repayments	(75,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(63,461)</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(63,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(63,500)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,239
Net Cash Provided (Used) by Investing Activities	<u>1,239</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,431
Cash and Cash Equivalents at Beginning of Year	<u>132,405</u>
Cash and Cash Equivalents at End of Year	<u>\$ 153,836</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>67,903</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	55,719
Provision for uncollectible accounts	47,778
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(72,418)
Increase (decrease) in pension liability and deferred outflows/inflows, net	18,244
Increase (decrease) in claims payable	(3,176)
Increase (decrease) in intergovernmental payables	(12,283)
Increase (decrease) in compensated absences liability	899
Increase (decrease) in unearned revenue	(570)
Increase (decrease) in interfund payables	45,057
Total Adjustments	<u>79,250</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 147,153</u>

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

NESHOBA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 161,308
Total Assets	<u>\$ 161,308</u>
LIABILITIES	
Intergovernmental payables	\$ 161,308
Total Liabilities	<u>\$ 161,308</u>

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

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

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

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

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

B. Individual Component Unit Disclosures

Blended Component Units

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

The Neshoba County Public Improvement Corporation, which is governed by a three-member board of directors appointed by the Neshoba County Board of Supervisors. Although it is legally separate from the County, the Corporation is reported as if it were a part of the primary government because its sole purpose was to finance and construct a jail for Neshoba County prisoners. The Corporation did not have any activity for the year ended September 30, 2019.

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, 2019

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

The County reports the following major Governmental Funds:

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

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

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

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

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

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

	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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Deferred outflows related to pensions – This amount represents the County’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

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

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

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

Deferred inflows related to pensions – This amount represents the County’s proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

K. Pensions.

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

L. Long-term Liabilities.

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

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

N. Property Tax Revenues:

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$8,233,606, and the bank balance was \$8,249,174. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2019:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 45,057
County Unit Road Fund	General Fund	37,295
Countywide Bridge & Culvert Fund	General Fund	27,911
Other Governmental Funds	General Fund	<u>22,013</u>
Total		<u>\$ 132,276</u>

The amount due to the General Fund from the Solid Waste Fund represents indirect administrative costs incurred during the fiscal year. The remaining receivables represents the tax revenue collected in September 2019, but not settled until the subsequent month. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 18,800
General Fund	Solid Waste Fund	135,750
County Unit Road Fund	Solid Waste Fund	30,896
Countywide Bridge Fund	Solid Waste Fund	<u>319,697</u>
Total		<u>\$ 505,143</u>

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>3,778</u>

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2019, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 180,675
Emergency Management Performance Grants	27,766
Charges for housing prisoners	13,367
DUI Grant reimbursement	5,248
Additional privilege tax	23,947
Reimbursement for foodstamps and welfare	8,005
Youth court reimbursement	1,886
Drug court reimbursement	20,168
Timber severance tax	845
District Attorney's Office reimbursements	9,884
Officer overtime reimbursements	600
Privilege tax	6,419
Gas tax	<u>55,637</u>
Total Governmental Activities	<u>\$ 354,447</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2019:

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

Governmental activities:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments*	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>					
Land	\$ 477,273				477,273
Construction in progress	1,724,890	1,212,150			2,937,040
Total non-depreciable capital assets	<u>2,202,163</u>	<u>1,212,150</u>	<u>-</u>	<u>-</u>	<u>3,414,313</u>
<u>Depreciable capital assets:</u>					
Infrastructure	14,177,912				14,177,912
Building	8,944,944		392,835		8,552,109
Improvements other than buildings	5,120,546	165,538			5,286,084
Mobile equipment	8,620,987	728,524	27,078	262,638	9,585,071
Furniture and equipment	1,979,254	5,995		295,741	2,280,990
Leased property under capital leases	3,114,537	944,842		(558,379)	3,501,000
Total depreciable capital assets	<u>41,958,180</u>	<u>1,844,899</u>	<u>419,913</u>	<u>-</u>	<u>43,383,166</u>
<u>Less accumulated depreciated for:</u>					
Infrastructure	4,393,043	423,762			4,816,805
Buildings	3,607,982	166,490	314,268		3,460,204
Improvements other than buildings	3,109,229	189,676			3,298,905
Mobile equipment	6,884,281	295,873	24,370	104,248	7,260,032
Furniture and equipment	1,599,069	128,004		190,120	1,917,193
Leased property under capital leases	662,675	326,397		(294,368)	694,704
Total accumulated depreciation	<u>20,256,279</u>	<u>1,530,202</u>	<u>338,638</u>	<u>-</u>	<u>21,447,843</u>
Total depreciable capital assets, net	<u>21,701,901</u>	<u>314,697</u>	<u>81,275</u>	<u>-</u>	<u>21,935,323</u>
Governmental activities capital assets, net	<u>\$ 23,904,064</u>	<u>1,526,847</u>	<u>81,275</u>	<u>-</u>	<u>25,349,636</u>

Business-type activities:

	Balance Oct. 1, 2018	Additions	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>			
Land	\$ 50,585		50,585
Total non-depreciable capital assets	<u>50,585</u>	<u>-</u>	<u>50,585</u>
<u>Depreciable capital assets:</u>			
Mobile equipment	1,000,003	63,500	1,063,503
Total depreciable capital assets	<u>1,000,003</u>	<u>63,500</u>	<u>1,063,503</u>
<u>Less accumulated depreciated for:</u>			
Mobile equipment	649,981	55,719	705,700
Total accumulated depreciation	<u>649,981</u>	<u>55,719</u>	<u>705,700</u>
Total depreciable capital assets, net	<u>350,022</u>	<u>7,781</u>	<u>357,803</u>
Business-type activities capital assets, net	<u>\$ 400,607</u>	<u>7,781</u>	<u>408,388</u>

*Adjustments are to reflect certain routine reclassifications of assets for which the related capital lease was paid off.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 335,556
Public safety	528,529
Public works	571,784
Culture and recreation	<u>94,333</u>
 Total governmental activities depreciation expense	 \$ <u><u>1,530,202</u></u>
	 <u>Amount</u>
Business-type activities:	
Solid waste	\$ <u><u>55,719</u></u>

Commitments with respect to unfinished capital projects at September 30, 2019, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
State Aid Bridge Replacement New Bridge #50-A113 (SAP-50 (100) 624)	\$ 30,000	10/1/2020
State Aid Bridge Replacement New Bridge #50-A100 (LSBP-50(13) 397)	36,000	9/30/2020
State Aid Bridge Replacement New Bridge .025 Miles on County Road 832 (HMPG #4175-0039 832)	15,000	12/30/2019
State Aid Road Reconstruction .70 Miles on County Road 832 (EFL - 0050 (34) B 832)	60,000	10/30/2020
State Aid Bridge Replacement New Bridge #50-A036 / LSBP -50(14) 705	1,040,000	9/30/2020
State Aid Bridge Replacement on County Road 628 (ERBRF-STP/BR-0050 (35)B)	366,000	6/30/2020

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As Lessee:

The County has entered into numerous agreements to lease office and storage space which are classified as operating leases. These agreements generally are renewable on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Expenditures for rental of offices and storage space under operating leases for the year ended September 30, 2019 amounted to \$12,534.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

Classes of Property		Governmental
Improvements other than building	\$	1,560,000
Mobile equipment		1,049,473
Furniture and equipment		891,527
Total		3,501,000
Less: Accumulated depreciation		(694,704)
Leased Property Under Capital Leases	\$	2,806,296

The following is a schedule by years of the total payments due as of September 30, 2019:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2020	\$ 506,502	53,561
2021	573,801	44,956
2022	298,779	37,273
2023	281,127	33,645
2024	152,050	30,338
2025 - 2029	597,895	99,968
2030 - 2034	348,562	14,879
Total	\$ 2,758,716	314,620

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Neshoba County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$673,496, \$651,891 and \$622,113, respectively, equal to the required contributions for each year.

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

At September 30, 2019, the County reported a liability of \$11,325,361 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2019 net pension liability was 0.064378 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.000238 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$1,212,386. At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,676	11,446
Net difference between projected and actual earnings on pension plan investments		115,319
Changes of assumptions	110,930	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	340,784	4,170
County contributions subsequent to the measurement date	189,646	
Total	\$ 648,036	130,935

\$189,646 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

Year ending September 30	Amount
2020	\$ 234,739
2021	785
2022	40,225
2023	51,706
Total	\$ 327,455

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 14,887,579	11,325,361	8,385,069

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

(10) Long-term Debt.

Debt outstanding as of September 30, 2019, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road and Bridge Bonds, series 2009	\$ 805,000	3.10-3.38%	05/2024
Recreational Facilities Refunding Bonds, series 2013	1,655,000	2.00-2.50%	06/2025
Refunding Bonds, series 2011	565,000	3.00-3.50%	10/2021
Series 2013 (EOC and Solid Waste)	<u>1,085,000</u>	2.00-2.75%	05/2031
Total General Obligation Bonds	<u>\$ 4,110,000</u>		
B. Capital Leases:			
Caterpillar excavator 307E	\$ 62,654	1.86%	07/2021
Caterpillar excavator 323F	144,261	1.86%	07/2021
JCB backhoe 3CX14	61,116	1.86%	07/2021
2017 ambulance	38,916	1.95%	07/2020
Broom sweeper	26,503	2.20%	05/2022
Jail management system	29,484	2.34%	04/2022
Energy conservation project	1,461,430	2.99%	05/2032
(5) Interceptors, (3) Ford F-150s, and (2) Ford F-250s	94,113	2.02%	09/2020
Jail surveillance system	37,912	3.48%	06/2023
2018 ambulance	116,084	3.32%	12/2021
Emergency 911 system consoles	468,067	2.86%	01/2024
Turnkey election systems	<u>218,176</u>	2.86%	01/2024
Total Capital Leases	<u>\$ 2,758,716</u>		
C. Other Loans:			
MDA capital improvements revolving loan	<u>\$ 2,854,741</u>	2.00%	01/2033

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

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

Year Ending September 30	General Obligations Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2020	\$ 760,000	104,682	188,381	55,270
2021	790,000	83,094	192,183	51,467
2022	515,000	65,605	196,063	47,588
2023	530,000	53,105	200,020	43,631
2024	545,000	39,779	204,057	39,594
2025 - 2029	760,000	74,081	1,083,754	134,498
2030 - 2034	210,000	8,663	790,283	27,113
Total	\$ 4,110,000	429,009	2,854,741	399,161

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, 2019, the amount of outstanding debt was equal to 2.20 percentage 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, 2019, \$2,430,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 128,193		8,305	119,888	
General obligation bonds	4,845,000		735,000	4,110,000	760,000
Add:					
Premiums	41,977		6,722	35,255	
Capital leases	2,382,837	944,842	568,963	2,758,716	506,502
Other loans	3,039,395		184,654	2,854,741	188,381
Total	\$ 10,437,402	944,842	1,503,644	9,878,600	1,454,883

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
Business-type Activities:					
Compensated absences	\$ 2,749	899		3,648	

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

(11) Contingencies.

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(12) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of \$(6,468,318) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$181,161 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$439,509 balance of the deferred outflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next three years. The \$119,226 balance of the deferred inflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years.

The governmental activities' net investment in capital assets net position of \$15,702,950 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. \$112,026 of the \$732,696 balance of deferred outflows of resources at September 30, 2019, will be recognized as an expense and will decrease the net investment in capital assets net position over the next six years.

The business-type activities' unrestricted net position amount of \$(678,858) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$8,485 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$18,881 balance of the deferred outflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next three years. The \$11,709 balance of the deferred inflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years.

(13) Related Organizations.

The Neshoba County Board of Supervisors created districts to provide fire protection services to the County. The Board appoints the commissioners of each district, but the County's accountability for the district does not extend making the appointments. Each district receives an equal amount of the avails of a two mill tax levy on the real property in the County, which provides an annual appropriation from the County in the amount of 10,000. These funds are spent through the purchasing system of the County via the County Fire Coordinator. Additionally, the County provides workers' compensation coverage for volunteer firefighters and maintains liability insurance on all fire department apparatus. Neshoba County provided \$111,990 for the operation of the 12 districts in fiscal year 2019.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

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

(14) Joint Venture.

The County participates in the following joint venture:

Neshoba County is a participant with Neshoba County General Hospital and Nursing Home in a joint venture, authorized by Section 45-55-1, Miss. Code Ann. (1972), to operate the Neshoba County Ambulance Enterprise. The joint venture was created to provide the operation of a public ambulance service to the citizens of the county. The joint venture is controlled by a five member Enterprise Management Committee including Hospital Chief Executive Officer, Hospital Chief Financial Officer, Hospital Director of Ambulance, County Emergency Management Director, and County Administrator. The County provided no direct financial support in fiscal year 2019, but was liable for capital leases on two ambulances with an outstanding principal balance at year-end of \$155,000. This debt is retired with payments received from the hospital.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Neshoba County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County appropriated \$631,711 for the maintenance and support of the college in fiscal year 2019.

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 2019.

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 15 members of the board of directors. The County appropriated \$15,000 to support the district in fiscal year 2019.

Region Ten, Weems Community Mental Health operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott, and Smith. The Neshoba County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$21,600 for support of the commission in fiscal year 2019.

The Philadelphia-Neshoba County Museum Council is composed of five members, two of which are appointed by the Board of Supervisors. The County appropriated \$12,500 in financial support to the council in fiscal year 2019.

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 2019.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

(16) Tax Abatements.

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

The Neshoba County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had a tax abatement agreement with one entity as of September 30, 2019.

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

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

<u>Category</u>	<u>% of Taxes Abated</u>	<u>Amount of Taxes Abated During the Year</u>
Construction and expansion of a manufacturing facility	58%	\$ 575,652

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

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Neshoba County evaluated the activity of the County through November 16, 2019, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2019, 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>
03/02/2020	2.93%	\$ 106,319	Capital lease	Ad valorem taxes
06/15/2020	2.31%	88,631	Capital lease	Ad valorem taxes

NESHOBA COUNTY

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NESHOBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY

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NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,801,752	5,509,826	5,509,826	
Licenses, commissions and other revenue	248,475	249,241	249,241	
Fines and forfeitures	272,500	461,713	461,713	
Intergovernmental revenues	1,215,880	1,278,527	1,278,527	
Charges for services	173,000	174,084	174,084	
Interest income	15,750	25,285	25,285	
Miscellaneous revenues	180,500	415,252	415,252	
Total Revenues	<u>7,907,857</u>	<u>8,113,928</u>	<u>8,113,928</u>	-
EXPENDITURES				
Current:				
General government	3,592,634	3,256,174	3,256,174	
Public safety	3,241,823	2,986,366	2,986,366	
Health and welfare	103,300	105,545	105,545	
Culture and recreation	520,225	607,485	607,485	
Education	275,000	242,712	242,712	
Conservation of natural resources	65,574	68,232	68,232	
Economic development and assistance	80,000	80,000	80,000	
Debt service:				
Principal		282,395	282,395	
Interest		55,637	55,637	
Total Expenditures	<u>7,878,556</u>	<u>7,684,546</u>	<u>7,684,546</u>	-
Excess of Revenues over (under) Expenditures	<u>29,301</u>	<u>429,382</u>	<u>429,382</u>	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		200,005	200,005	
Compensation for loss of capital assets		29,853	29,853	
Transfers in		194,218	194,218	
Other financing sources	165,000			
Other financing uses		(169,218)	(169,218)	
Total Other Financing Sources and Uses	<u>165,000</u>	<u>254,858</u>	<u>254,858</u>	-
Net Change in Fund Balance	194,301	684,240	684,240	
Fund Balances - Beginning	<u>1,097,435</u>	<u>2,153,860</u>	<u>2,153,860</u>	
Fund Balances - Ending	<u>\$ 1,291,736</u>	<u>2,838,100</u>	<u>2,838,100</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, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 482,456	506,274	506,274	
Road and bridge privilege taxes	345,000	344,953	344,953	
Licenses, commissions and other revenue		6,443	6,443	
Intergovernmental revenues	566,000	636,365	636,365	
Interest income	3,800	7,380	7,380	
Miscellaneous revenues	8,300	5,789	5,789	
Total Revenues	<u>1,405,556</u>	<u>1,507,204</u>	<u>1,507,204</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,405,556	1,078,000	1,078,000	
Debt service:				
Principal		33,305	33,305	
Interest		809	809	
Total Expenditures	<u>1,405,556</u>	<u>1,112,114</u>	<u>1,112,114</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>395,090</u>	<u>395,090</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		1,000	1,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Net Change in Fund Balance	-	396,090	396,090	
Fund Balances - Beginning	<u>734,188</u>	<u>1,131,392</u>	<u>1,131,392</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 734,188</u>	<u>1,527,482</u>	<u>1,527,482</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, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,478,992	1,506,116	1,506,116	
Intergovernmental revenues		380,049	380,049	
Interest income	4,000	6,870	6,870	
Total Revenues	<u>1,482,992</u>	<u>1,893,035</u>	<u>1,893,035</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,482,992	1,901,079	1,901,079	
Debt service:				
Principal		60,085	60,085	
Interest		6,027	6,027	
Total Expenditures	<u>1,482,992</u>	<u>1,967,191</u>	<u>1,967,191</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(74,156)</u>	<u>(74,156)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		50,000	50,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Net Change in Fund Balance	-	(24,156)	(24,156)	
Fund Balances - Beginning	<u>867,841</u>	<u>1,273,792</u>	<u>1,273,792</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 867,841</u>	<u>1,249,636</u>	<u>1,249,636</u>	<u>0</u>

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

NESHOBA COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2019
UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.064378%	0.064140%	0.060444%	0.0595%	0.0635%
County's proportionate share of the net pension liability (asset)	\$ 11,325,361	10,668,387	10,047,844	10,628,186	9,815,848
Covered payroll	\$ 4,192,740	4,095,955	3,877,536	3,806,398	3,951,341
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	248.42%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

NESHOBA COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2019
UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 673,496	651,891	622,113	614,159	612,694
Contributions in relation to the contractually required contribution	<u>673,496</u>	<u>651,891</u>	<u>622,113</u>	<u>614,159</u>	<u>612,694</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 4,162,520	4,138,978	3,949,912	3,899,422	3,890,123
Contributions as a percentage of covered payroll	16.18% **	15.75%	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

** The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%.

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

NESHOBA COUNTY

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NESHOPA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

A. Budgetary Information.

Statutory requirements dictate how and when the County’s budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County’s budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>County Unit Road Fund</u>	<u>County wide Bridge Fund</u>
Budget (Cash Basis)	\$ 684,240	396,090	(24,156)
Increase (Decrease)			
Net adjustments for revenue accruals	(164,601)	4,733	(46,615)
Net adjustments for expenditure accruals	<u>243,230</u>	<u>22,939</u>	<u>12,340</u>
GAAP Basis	<u>\$ 762,869</u>	<u>423,762</u>	<u>(58,431)</u>

NESHOBA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

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

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

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

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

2019

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

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

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

NESHOBA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

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

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

B. Changes in benefit provisions.

2016

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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, 2019
UNAUDITED

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

NESHOBA COUNTY

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NESHOBA COUNTY

SPECIAL REPORTS

NESHOBA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Neshoba County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi (the County), as of and for the year ended September 30, 2019, 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 16, 2019. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Neshoba County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 16, 2019, included within this document.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 16, 2019



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Neshoba County, Mississippi

We have examined Neshoba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2019. The Board of Supervisors of Neshoba County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Neshoba County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Neshoba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2019.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 16, 2019

NESHOBA COUNTY
Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2019

Schedule 1

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

NESHOBA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2019

Schedule 2

Our tests did not identify any emergency purchases.

NESHOBA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2019

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
07/08/2019	Database and layout for primary election	\$ 6,101	Election Systems and Software

NESHOBA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Neshoba County, Mississippi

In planning and performing our audit of the financial statements of Neshoba County, Mississippi for the year ended September 30, 2019, 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 16, 2019, 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 finding, recommendation, and your response are disclosed below:

Board of Supervisors.

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

Repeat Finding Yes

Criteria The Mississippi Code is silent regarding the authority of the County to make interfund loans.

Condition As reported in the prior six years' audit reports, the County has interfund loans outstanding that are over a year old. These interfund loans totaled \$505,143 as of September 30, 2019. These advances include a loan to make a debt service payment as well as unpaid indirect costs and payroll expenses associated with garbage collection activities.

Cause Deficiency of controls requiring the repayment of interfund loans.

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

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

Views of Responsible Official(s) Neshoba County is working to repay said interfund loans as aggressively as resources permit.

Neshoba County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 16, 2019

NESHOBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NESHOBA COUNTY

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NESHOBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
County Unit Road Fund	Unmodified
Countywide Bridge and Culvert Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None Reported

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

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