

NESHOBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2011

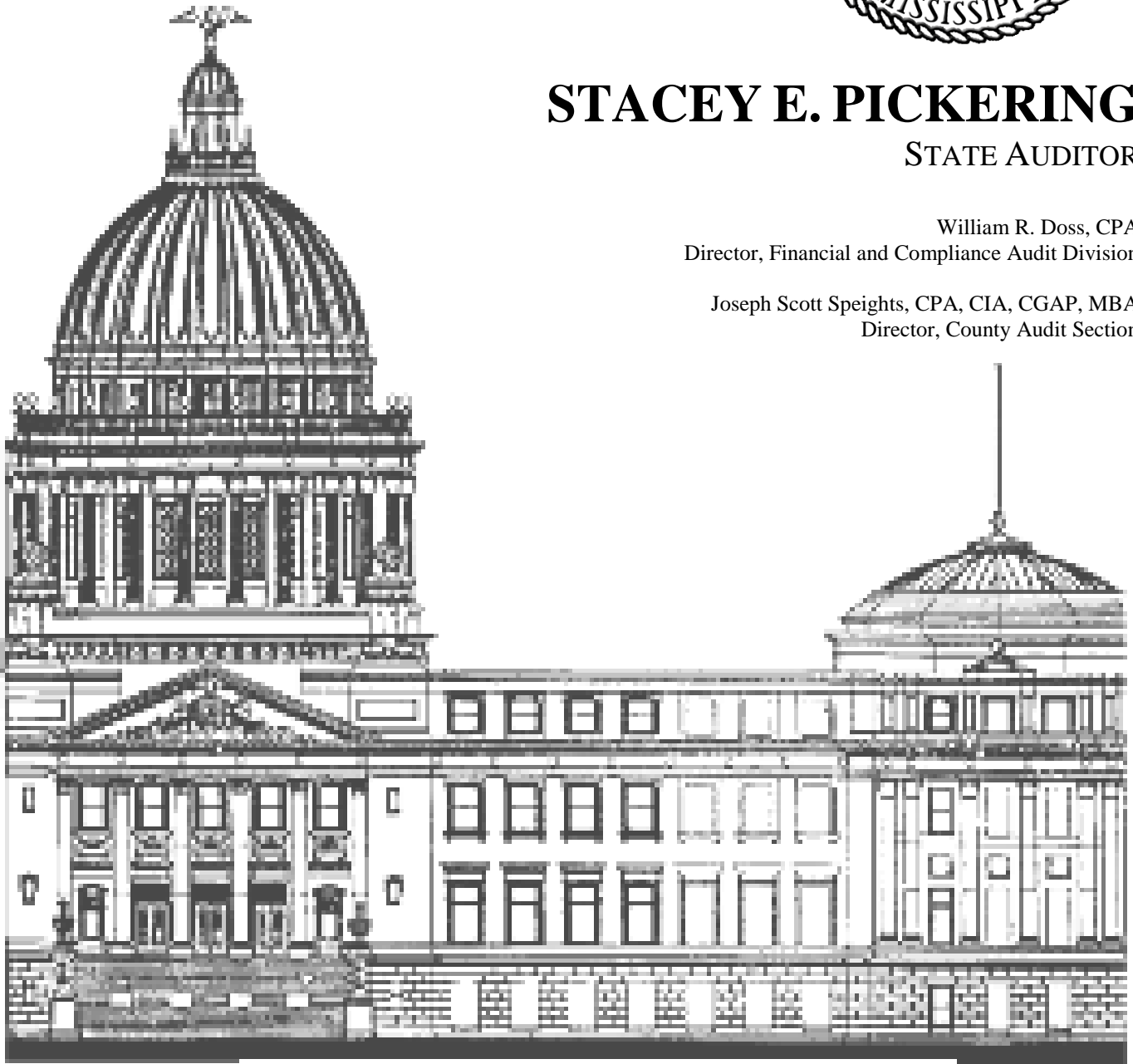


STACEY E. PICKERING

STATE AUDITOR

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

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



A Report from the County Audit Section

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

August 10, 2012

Members of the Board of Supervisors
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Neshoba County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Stacey E. Pickering
State Auditor

NESHOPA COUNTY
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NESHOBA COUNTY

FINANCIAL SECTION

NESHOBA COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Neshoba County, Mississippi

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, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Neshoba County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

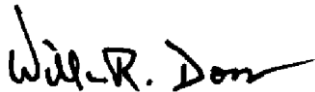
As discussed in Note 2, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012, on our consideration of Neshoba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Neshoba County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

August 10, 2012

NESHOPA COUNTY

FINANCIAL STATEMENTS

NESHOPA COUNTY

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NESHOBA COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 1,903,030		1,903,030
Property tax receivable	7,253,833		7,253,833
Accounts receivable (net of allowance for uncollectibles of \$118,536)		89,947	89,947
Fines receivable (net of allowance for uncollectibles of \$2,252,319)	153,943		153,943
Intergovernmental receivables	367,669		367,669
Other receivables	6,552		6,552
Internal balances	613,831	(613,831)	
Deferred charges - bond issuance costs	130,911		130,911
Capital assets:			
Land and construction in progress	914,391	50,585	964,976
Other capital assets, net	24,709,630	316,734	25,026,364
Total Assets	36,053,790	(156,565)	35,897,225
LIABILITIES			
Claims payable	304,321	7,030	311,351
Intergovernmental payables	197,197		197,197
Accrued interest payable	101,994	799	102,793
Deferred revenue	7,253,833		7,253,833
Unearned revenue		9,330	9,330
Other payables	22,537		22,537
Long-term liabilities			
Due within one year:			
Capital debt	1,505,778	128,853	1,634,631
Non-capital debt	540,000		540,000
Due in more than one year:			
Capital debt	8,306,124	105,261	8,411,385
Non-capital debt	1,918,734	3,526	1,922,260
Total Liabilities	20,150,518	254,799	20,405,317
NET ASSETS			
Invested in capital assets, net of related debt	15,812,119	133,205	15,945,324
Restricted:			
Expendable:			
General government	26,379		26,379
Debt service	556,337		556,337
Public safety	703,062		703,062
Culture and recreation	11,120		11,120
Economic development	235,712		235,712
Capital projects	150,928		150,928
Unrestricted	(1,592,385)	(544,569)	(2,136,954)
Total Net Assets	\$ 15,903,272	(411,364)	15,491,908

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

NESHOBA COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 3,242,378	428,776	89,803		(2,723,799)		(2,723,799)
Public safety	2,874,366	475,330	287,595		(2,111,441)		(2,111,441)
Public works	3,926,658		642,367	471,437	(2,812,854)		(2,812,854)
Health and welfare	148,055		325,930		177,875		177,875
Culture and recreation	744,235				(744,235)		(744,235)
Conservation of natural resources	240,868				(240,868)		(240,868)
Economic development and assistance	585,955		350,237	457,500	221,782		221,782
Interest on long-term debt	447,174				(447,174)		(447,174)
Total Governmental Activities	<u>12,209,689</u>	<u>904,106</u>	<u>1,695,932</u>	<u>928,937</u>	<u>(8,680,714)</u>	<u>0</u>	<u>(8,680,714)</u>
Business-type activities:							
Solid Waste	<u>375,737</u>	<u>367,193</u>	<u>28,364</u>			19,820	19,820
Total Business-type Activities	<u>375,737</u>	<u>367,193</u>	<u>28,364</u>	<u>0</u>	<u>0</u>	<u>19,820</u>	<u>19,820</u>
Total Primary Government	\$ <u>12,585,426</u>	<u>1,271,299</u>	<u>1,724,296</u>	<u>928,937</u>	<u>(8,680,714)</u>	<u>19,820</u>	<u>(8,660,894)</u>
General revenues:							
Property taxes					\$ 7,415,951		7,415,951
Road & bridge privilege taxes					320,497		320,497
Grants and contributions not restricted to specific programs					728,169		728,169
Unrestricted interest income					11,283	131	11,414
Miscellaneous					370,337		370,337
Loss on sale of capital assets						(8,425)	(8,425)
Total General Revenues					<u>8,846,237</u>	<u>(8,294)</u>	<u>8,837,943</u>
Changes in Net Assets					<u>165,523</u>	<u>11,526</u>	<u>177,049</u>
Net Assets - Beginning					<u>15,737,749</u>	<u>(422,890)</u>	<u>15,314,859</u>
Net Assets - Ending					\$ <u>15,903,272</u>	<u>(411,364)</u>	<u>15,491,908</u>

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

NESHOBA COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2011

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
ASSETS					
Cash	\$ 210,027	3,011	139,670	1,550,322	1,903,030
Property tax receivable	4,311,430	390,000	1,260,000	1,292,403	7,253,833
Fines receivable (net of allowance for uncollectibles of \$2,252,319)	153,943				153,943
Intergovernmental receivables	133,674			233,995	367,669
Other receivables	6,552				6,552
Due from other funds	568,427	35,497	22,154	28,059	654,137
Advances to other funds	227,921	86,362			314,283
Total Assets	\$ 5,611,974	514,870	1,421,824	3,104,779	10,653,447
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 109,874	147,409	20,194	26,844	304,321
Intergovernmental payables	187,594				187,594
Due to other funds	95,313	230,000			325,313
Advances from other funds	32,229	6,650			38,879
Deferred revenue	4,465,373	390,000	1,260,000	1,292,403	7,407,776
Other payables	22,537				22,537
Total Liabilities	4,912,920	774,059	1,280,194	1,319,247	8,286,420
Fund balances:					
Nonspendable:					
Advances	227,921	86,362			314,283
Restricted for:					
General government				26,379	26,379
Public safety				703,062	703,062
Public works			141,630	150,928	292,558
Culture and recreation				11,120	11,120
Economic development and assistance				235,712	235,712
Debt service				658,331	658,331
Unassigned	471,133	(345,551)			125,582
Total Fund Balances	699,054	(259,189)	141,630	1,785,532	2,367,027
Total Liabilities and Fund Balances	\$ 5,611,974	514,870	1,421,824	3,104,779	10,653,447

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

NESHOBA COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,367,027
Amounts reported for governmental activities in the Statement of Net Assets 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 \$12,830,012.	25,624,021
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	153,943
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,270,636)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(101,994)
Deferred charges - bond issuance costs	<u>130,911</u>
Total Net Assets - Governmental Activities	\$ <u><u>15,903,272</u></u>

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

NESHOBA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
REVENUES					
Property taxes	\$ 4,148,257	445,924	1,270,969	1,550,801	7,415,951
Road and bridge privilege taxes		320,497			320,497
Licenses, commissions and other revenue	279,664			8,211	287,875
Fines and forfeitures	340,001				340,001
Intergovernmental revenues	998,162	596,979		1,757,897	3,353,038
Charges for services	125,340			272,040	397,380
Interest income	6,327	66	521	4,369	11,283
Miscellaneous revenues	199,735	124,086		53,464	377,285
Total Revenues	<u>6,097,486</u>	<u>1,487,552</u>	<u>1,271,490</u>	<u>3,646,782</u>	<u>12,503,310</u>
EXPENDITURES					
Current:					
General government	3,020,296				3,020,296
Public safety	2,310,163			600,266	2,910,429
Public works		1,835,285	1,079,972	911,589	3,826,846
Health and welfare	148,055				148,055
Culture and recreation	559,766			80,878	640,644
Conservation of natural resources	77,875			101,501	179,376
Economic development and assistance	1,194,256			303,699	1,497,955
Debt service:					
Principal	261,774		132,874	1,087,743	1,482,391
Interest and other fiscal charges	42,757		19,836	479,347	541,940
Total Expenditures	<u>7,614,942</u>	<u>1,835,285</u>	<u>1,232,682</u>	<u>3,565,023</u>	<u>14,247,932</u>
Excess of Revenues over (under) Expenditures	<u>(1,517,456)</u>	<u>(347,733)</u>	<u>38,808</u>	<u>81,759</u>	<u>(1,744,622)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	1,072,655			116,545	1,189,200
Refunding bonds issued				2,470,000	2,470,000
Proceeds from sale of capital assets	6,045	15,410		2,511	23,966
Premiums on bonds issued				25,423	25,423
Compensation for loss of capital assets	3,274	10,000			13,274
Payment to bond refunding escrow agent				(2,421,046)	(2,421,046)
Total Other Financing Sources and Uses	<u>1,081,974</u>	<u>25,410</u>	<u>0</u>	<u>193,433</u>	<u>1,300,817</u>
Net Changes in Fund Balances	<u>(435,482)</u>	<u>(322,323)</u>	<u>38,808</u>	<u>275,192</u>	<u>(443,805)</u>
Fund Balances - Beginning	<u>1,134,536</u>	<u>63,134</u>	<u>102,822</u>	<u>1,510,340</u>	<u>2,810,832</u>
Fund Balances - Ending	\$ <u>699,054</u>	<u>(259,189)</u>	<u>141,630</u>	<u>1,785,532</u>	<u>2,367,027</u>

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

NESHOBA COUNTY
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2011

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (443,805)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,788,353 exceeded depreciation of \$1,308,088 in the current period.	480,265
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 assets differs from the change in fund balances by the amount of the net loss of \$6,948 and the proceeds from the sale of \$23,966 and the compensation for loss of capital assets of \$13,274 in the current period.	(44,188)
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.	(121,150)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,482,391 exceeded debt proceeds of \$1,189,200.	293,191
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Issuance of refunding bonds	(2,470,000)
Premiums on refunding bonds issued	(25,423)
Deferred bond issuance costs	74,377
Payment to bond refunding escrow agent	2,421,046
Amortization of:	
Issuance cost on refunding bonds	(17,111)
Refunding bonds deferred charges	(12,018)
Premiums on refunding bonds	1,271
Increase in compensated absences liability	(7,733)
Decrease in accrued interest payable	36,801
Change in Net Assets of Governmental Activities	<u>\$ 165,523</u>

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

NESHOBA COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2011

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles of \$118,536)	89,947
Advances to other funds	6,650
Total Current Assets	<u>96,597</u>
Noncurrent assets:	
Capital assets:	
Land	50,585
Other capital assets, net	316,734
Total Noncurrent Assets	<u>367,319</u>
Total Assets	<u>463,916</u>
LIABILITIES	
Current liabilities:	
Claims payable	7,030
Due to other funds	338,427
Advances from other funds	282,054
Accrued interest payable	799
Unearned revenue	9,330
Capital debt:	
Capital leases payable	74,906
Other long-term liabilities	53,947
Total Current Liabilities	<u>766,493</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	105,261
Non-capital debt:	
Compensated absences payable	3,526
Total Noncurrent Liabilities	<u>108,787</u>
NET ASSETS	
Invested in capital assets, net of related debt	133,205
Unrestricted	(544,569)
Total Net Assets	<u>\$ (411,364)</u>

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

NESHOBA COUNTY

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 6

	Business-type Activities - Enterprise
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 367,193
Operating grants	28,364
Total Operating Revenues	<u>395,557</u>
Operating Expenses	
Personal services	135,845
Contractual services	135,778
Materials and supplies	23,039
Depreciation expense	35,177
Indirect administrative cost	35,221
Total Operating Expenses	<u>365,060</u>
Operating Income (Loss)	<u>30,497</u>
Nonoperating Revenues (Expenses)	
Interest income	131
Gain (loss) on sale of capital assets	(8,425)
Interest expense	(10,677)
Net Nonoperating Revenue (Expenses)	<u>(18,971)</u>
Changes in Net Assets	11,526
Net Assets - Beginning	<u>(422,890)</u>
Net Assets - Ending	<u>\$ (411,364)</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, 2011

Exhibit 7

	Business-type Activities- Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 352,769
Payments to suppliers	(159,356)
Payments to employees	(134,905)
Other operating cash receipts	28,364
Net Cash Provided (Used) by Operating Activities	<u>86,872</u>
Cash Flows From Noncapital Financing Activities	
Cash paid to other funds:	
Interfund loan repayments	(267,748)
Cash received from other funds:	
Loans from other funds	303,206
Net Cash Provided (Used) by Noncapital Financing Activities	<u>35,458</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(129,620)
Interest paid on debt	(11,446)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(141,066)</u>
Cash Flows From Investing Activities	
Interest on deposits	131
Net Cash Provided (Used) by Investing Activities	<u>131</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,605)
Cash and Cash Equivalents at Beginning of Year	<u>18,605</u>
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 30,497
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	35,177
Provision for uncollectible accounts	25,470
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(41,062)
Increase (decrease) in claims payable	(538)
Increase (decrease) in compensated absences liability	940
Increase (decrease) in unearned revenue	1,167
Increase (decrease) in interfund payables	35,221
Total Adjustments	<u>56,375</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 86,872</u>

Noncash Capital Financing Activity:

Neshoba County lease purchased mobile equipment for \$58,800 for 5 years at 4.07% interest.
Principal payments of \$12,436 were made on the lease during the year.
Neshoba County lease purchased mobile equipment for \$332,052 for 5 years at 3.21% interest.
Principal payments of \$65,287 were made on the lease during the year.
Neshoba County has a loan for landfill construction for \$250,000 for 5 years at 3.95% interest.
Principal payments of \$51,897 were made on the lease during the year.

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

NESHOBA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 146,643
Due from other funds	<u>9,603</u>
Total Assets	<u><u>\$ 156,246</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 12,620
Intergovernmental payables	<u>143,626</u>
Total Liabilities	<u><u>\$ 156,246</u></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, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity 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
- Linwood Volunteer Fire District
- House Volunteer Fire District
- County Line Volunteer Fire District
- Dixon Volunteer Fire District
- Tucker Volunteer Fire District
- Fairview Volunteer Fire District
- Hope Volunteer Fire District
- Northbend Volunteer Fire District
- East Neshoba Volunteer Fire District
- Longino Volunteer Fire District
- Arlington Volunteer Fire District
- Stallo Volunteer Fire District

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

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

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The Neshoba County Public Improvement Corporation is governed by a three-member board of directors appointed by the County Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were a part of the primary government because its sole purpose was to finance and construct a jail for Neshoba County prisoners. The corporation did not have any activity for the year ended September 30, 2011.

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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.

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

The county reports the following major Governmental Funds:

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

Countywide Bridge and Culvert Fund – Accounts for monies from specific revenues sources that are restricted for bridge and culvert maintenance.

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

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 2005 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.

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 applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. 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.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

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

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

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

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

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

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

J. Long-term Liabilities.

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

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

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

K. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets 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 assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

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, or unassigned. The following are descriptions of fund classifications used by the county:

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

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

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

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$2,049,673, and the bank balance was \$1,904,066. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste Fund	\$ 338,427
General	County Unit Road Fund	230,000
County Unit Road Fund	General	35,497
Countywide Bridge and Culvert	General	22,154
Other Governmental Funds	General	28,059
Agency Funds	General	9,603
Total		\$ 663,740

The amount due to the General Fund from the Solid Waste Fund represents indirect administrative costs incurred during the September 30, 2011 fiscal year and an operating loan to cover negative cash balances. The amount due to the General Fund from the County Unit Road Fund represents cost of a reimbursement grant project incurred during the September 30, 2011, but the reimbursement funds had not been received at year end. The amount due to the County Unit Road Fund, Countywide Bridge and Culvert Fund, other governmental funds, and agency funds represents ad valorem taxes collected by the Tax Collector in September 2011, but not remitted to the county until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste Fund	\$ 227,921
County Unit Road Fund	Solid Waste Fund	54,133
County Unit Road Fund	General	32,229
Solid Waste Fund	County Unit Road Fund	6,650
Total		\$ 320,933

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 129,161
Seatbelt grant	1,608
DUI grant	2,905
Community development block grant	233,995
Total Governmental Activities	\$ 367,669

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 459,373				459,373
Construction in progress	518,780	414,718		(478,480)	455,018
Total non-depreciable capital assets	978,153	414,718	0	(478,480)	914,391
<u>Depreciable capital assets:</u>					
Infrastructure	12,132,296			495,834	12,628,130
Buildings	9,523,287	912,000			10,435,287
Improvements other than buildings	4,934,611				4,934,611
Mobile equipment	6,602,504	216,171	427,422	126,802	6,518,055
Furniture and equipment	894,969		14,500		880,469
Leased property under capital leases	2,024,428	245,464		(126,802)	2,143,090
Total depreciable capital assets	36,112,095	1,373,635	441,922	495,834	37,539,642
<u>Less accumulated depreciation for:</u>					
Infrastructure	1,116,340	377,367		17,354	1,511,061
Buildings	2,626,937	199,155			2,826,092
Improvements other than buildings	1,683,183	175,618			1,858,801
Mobile equipment	4,966,916	277,449	384,684	79,399	4,939,080
Furniture and equipment	754,249	27,511	13,050		768,710

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
Leased property under capital leases	754,679	250,988		(79,399)	926,268
Total accumulated depreciation	11,902,304	1,308,088	397,734	17,354	12,830,012
Total depreciable capital assets, net	24,209,791	65,547	44,188	478,480	24,709,630
Governmental activities capital assets, net	\$ 25,187,944	480,265	44,188	0	25,624,021
Business-type activities:					
	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 50,585				50,585
Total non-depreciable capital assets	50,585	0	0	0	50,585
<u>Depreciable capital assets:</u>					
Mobile equipment	504,207		84,255		419,952
Leased property under capital leases	390,852				390,852
Total depreciable capital assets	895,059	0	84,255	0	810,804
<u>Less accumulated depreciation for:</u>					
Mobile equipment	453,786		75,830		377,956
Leased property under capital leases	80,937	35,177			116,114
Total accumulated depreciation	534,723	35,177	75,830	0	494,070
Total depreciable capital assets, net	360,336	(35,177)	8,425	0	316,734
Business-type activities capital assets, net	\$ 410,921	(35,177)	8,425	0	367,319

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 208,267
Public safety	417,383
Public works	517,356
Health and welfare	103,590
Culture and recreation	<u>61,492</u>
Total governmental activities depreciation expense	\$ <u><u>1,308,088</u></u>
Business-type activities:	
Solid waste	\$ <u><u>35,177</u></u>

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
STP-0050(33)B	\$ 2,755,200	06/2013
BR-0555B	265,211	10/2012
BR-0590(4)	12,060	10/2011

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. 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, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$46,000 for the year ended September 30, 2011. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2012	\$ 45,996
2013	45,996
2014	<u>34,497</u>
Total Minimum Payments Required	\$ <u><u>126,489</u></u>

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,476,206	390,852
Furniture and equipment	666,884	
Total	2,143,090	390,852
Less: Accumulated depreciation	(926,268)	(116,114)
Leased Property Under Capital Leases	\$ 1,216,822	274,738

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 663,310	19,570	74,906	4,692
2013	125,845	5,676	69,610	2,361
2014	75,174	2,737	35,651	335
2015	26,019	1,154		
2016	24,376	402		
Total	\$ 914,724	29,539	180,167	7,388

(10) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Park construction - 2005	\$ 3,140,000	3.60/4.00%	06/2025
Courthouse construction	180,000	4.20/6.00%	10/2012
Library renovation	105,000	4.00/4.25%	08/2012
2009 Refunding	2,315,000	2.25/3.00%	03/2016
2009 Road and Bridge	1,795,000	2.80/4.00%	05/2024
2011 Refunding	2,470,000	2.00/3.50%	10/2021
Total General Obligation Bonds	\$ 10,005,000		
B. Capital Leases:			
Ford F350 ambulance	\$ 12,360	4.43%	09/2012
2008 E-350 ambulance	7,167	3.19%	03/2012
3 police cars	17,760	3.08%	06/2012
2 2010 Crown Victorias	28,479	3.20%	07/2013
2 2011 Crown Victorias	68,980	3.00%	08/2014
2010 Ford E-350 ambulance	33,828	3.05%	02/2014
Caterpillar wheel loader	121,711	4.07%	02/2012
Caterpillar wheel loader	134,559	4.07%	02/2012
Caterpillar trackhoe	135,132	4.07%	02/2012

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2 2007 Mack trucks	21,601	4.07%	03/2012
20 ton Tag a long trailer	1,964	4.07%	03/2012
New E-911 equipment	144,603	4.12%	12/2012
Computer based CAD system	70,374	3.24%	10/2014
Watchfire message center	21,601	3.07%	08/2016
2011 Ford F-150 truck without body	94,605	3.07%	09/2016
Total Capital Leases	\$ 914,724		
C. Other Loans:			
MDA Cap Imp Rev Loan spec building	\$ 171,270	3.00%	10/2014
TVA Loan spec building	216,520	2.00%	09/2014
Brooke Building Loan	528,237	3.00%	04/2020
MDA Cap Imp Rev Loan Durasip building	354,112	3.00%	12/2030
MDA Cap Imp Rev Loan Garan building	46,456	3.00%	04/2021
Total Other Loans	\$ 1,316,595		
Business-type Activities:			
A. Capital Leases:			
Transfer trailer	\$ 7,492	4.07%	04/2012
Garbage trucks	172,675	3.21%	03/2014
Total Capital Leases	\$ 180,167		
B. Other Loans:			
Landfill construction	\$ 53,947	3.95%	05/2012

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2012	\$ 1,210,000	421,175
2013	960,000	283,621
2014	985,000	255,902
2015	1,015,000	226,756
2016	1,055,000	194,531
2017 – 2021	3,175,000	644,827
2022 – 2026	1,605,000	126,358
Total	\$ 10,005,000	2,153,170

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ 172,468	35,319
2013	177,043	30,743
2014	187,282	26,096
2015	52,760	22,668
2016	54,333	21,096
2017 – 2021	295,369	79,524
2022 – 2026	280,738	34,282
2027 - 2032	96,602	6,410
Total	\$ 1,316,595	256,138

Business-type Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ 53,947	2,131

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, 2011, the amount of outstanding debt was equal to 7.71% of the latest property assessments.

Advance Refunding - On May 19, 2011, the county issued \$2,470,000 in general obligation refunding bonds with an average interest rate of 2.00/3.50% to advance refund \$2,370,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Courthouse construction	4.20/6.00%	\$ 2,370,000

The Courthouse construction bond had an outstanding balance of \$2,550,000 at the time of the advance refunding, but only \$2,370,000 of the bond was refunded, leaving a remaining principal balance of \$180,000.

The net proceeds of \$2,421,046 (after payment of \$74,377 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments over the next 6 years by almost \$116,128 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$101,846.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 93,528	7,733			101,261	
General obligation bonds	10,860,000	2,470,000	3,325,000		10,005,000	1,210,000
Less:						
Deferred amt on refunding	(52,068)	(51,046)	(12,018)		(91,096)	
Discounts	(24,355)			24,355	0	
Add:						
Premiums		25,423	1,271		24,152	
Capital leases	1,060,479	229,036	374,791		914,724	663,310
Other loans	509,031	960,164	152,600		1,316,595	172,468
Total	\$ 12,446,615	3,641,310	3,841,644	24,355	12,270,636	2,045,778
Business-type Activities:						
Compensated absences	\$ 2,586	940			3,526	
Capital leases	257,890		77,723		180,167	74,906
Other loans	105,844		51,897		53,947	53,947
Total	\$ 366,320	940	129,620	0	237,640	128,853

Compensated absences will be paid from the fund from which the employees' salaries were paid which is generally the General Fund, Road Maintenance Fund, and Solid Waste Fund.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2011:

Fund	Deficit Amount
County Unit Road Fund	\$ (259,189)
Solid Waste Fund	(411,364)

(12) Contingencies.

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

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

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(13) 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 Supervisor appoints six of the 30 members of the college board of trustees. The county appropriated \$519,312 for the maintenance and support of the college in fiscal year 2011.

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 2011.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott, and Smith. The Neshoba County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$22,419 for support of the district in fiscal year 2011.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott, and Smith. The Neshoba County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$26,788 for support of the commission in fiscal year 2011.

(14) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$447,290, \$455,992 and \$442,477, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Neshoba County evaluated the activity of the county through August 10, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Subsequent to September 30, 2011, 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>
01/03/2012	2.00%	\$	4,000,000	CAP Loan	Hospital funds
05/31/2012	2.04%		167,962	Capital lease	Ad valorem taxes
05/16/2012	2.04%		280,521	Capital lease	Ad valorem taxes
05/16/2012	2.04%		273,552	Capital lease	Ad valorem taxes
05/16/2012	2.04%		206,246	Capital lease	Ad valorem taxes
08/06/2012	1.95%		150,312	Capital lease	Ad valorem taxes

NESHOBA COUNTY

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NESHOBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,621,867	4,320,958	4,320,958	
Licenses, commissions and other revenue	221,200	224,248	224,248	
Fines and forfeitures	370,000	319,184	319,184	
Intergovernmental revenues	1,069,000	1,080,107	1,080,107	
Charges for services	150,000	125,340	125,340	
Interest income	7,800	6,301	6,301	
Miscellaneous revenues	127,500	252,009	252,009	
Total Revenues	<u>6,567,367</u>	<u>6,328,147</u>	<u>6,328,147</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,034,754	3,078,222	3,078,222	
Public safety	2,081,527	2,314,989	2,206,489	108,500
Health and welfare	130,951	143,872	143,872	
Culture and recreation	533,167	564,002	564,002	
Education	325,000	308,789	308,789	
Conservation of natural resources	78,788	77,754	77,754	
Economic development and assistance	283,180	430,123	234,092	196,031
Debt service:				
Principal			265,014	(265,014)
Interest			39,517	(39,517)
Total Expenditures	<u>6,467,367</u>	<u>6,917,751</u>	<u>6,917,751</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>100,000</u>	<u>(589,604)</u>	<u>(589,604)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		17,743	17,743	
Other financing uses	(100,000)	(6,322)	(6,322)	
Total Other Financing Sources and Uses	<u>(100,000)</u>	<u>11,421</u>	<u>11,421</u>	<u>0</u>
Net Change in Fund Balance		(578,183)	(578,183)	
Fund Balances - Beginning	<u>899,714</u>	<u>747,193</u>	<u>747,449</u>	<u>256</u>
Fund Balances - Ending	<u>\$ 899,714</u>	<u>169,010</u>	<u>169,266</u>	<u>256</u>

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

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Unit Road Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,000	6,092	6,092	
Road and bridge privilege taxes	375,000	368,459	368,459	
Licenses, commissions and other revenue		9,811	9,811	
Fines and forfeitures	6,000	3,477	3,477	
Intergovernmental revenues	475,000	489,612	489,612	
Interest income	5,000	66	66	
Miscellaneous revenues		253,497	334,934	81,437
Total Revenues	<u>866,000</u>	<u>1,131,014</u>	<u>1,212,451</u>	<u>81,437</u>
EXPENDITURES				
Current:				
Public works	1,285,000	1,950,542	1,950,542	
Total Expenditures	<u>1,285,000</u>	<u>1,950,542</u>	<u>1,950,542</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(419,000)</u>	<u>(819,528)</u>	<u>(738,091)</u>	<u>81,437</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		108,033	26,596	(81,437)
Total Other Financing Sources and Uses	<u>0</u>	<u>108,033</u>	<u>26,596</u>	<u>(81,437)</u>
Net Change in Fund Balance	(419,000)	(711,495)	(711,495)	
Fund Balances - Beginning	<u>10,000</u>	<u>44,983</u>	<u>44,983</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (409,000)</u>	<u>(666,512)</u>	<u>(666,512)</u>	<u>0</u>

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

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,288,572	1,272,532	1,272,532	
Intergovernmental revenues	100,000			
Interest income		521	521	
Miscellaneous revenues			16,946	16,946
Total Revenues	<u>1,388,572</u>	<u>1,273,053</u>	<u>1,289,999</u>	<u>16,946</u>
EXPENDITURES				
Current:				
Public works	1,288,572	1,232,672	1,079,961	152,711
Debt service:				
Principal			132,874	(132,874)
Interest			19,837	(19,837)
Total Expenditures	<u>1,288,572</u>	<u>1,232,672</u>	<u>1,232,672</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>100,000</u>	<u>40,381</u>	<u>57,327</u>	<u>16,946</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		16,946		(16,946)
Total Other Financing Sources and Uses	<u>0</u>	<u>16,946</u>	<u>0</u>	<u>(16,946)</u>
Net Change in Fund Balance	100,000	57,327	57,327	
Fund Balances - Beginning	<u>150,000</u>	<u>82,342</u>	<u>82,342</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 250,000</u>	<u>139,669</u>	<u>139,669</u>	<u>0</u>

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

NESHOBA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>General Fund</u>	<u>County Unit Road Fund</u>	<u>Countywide Bridge and Culvert Fund</u>
Budget (Cash Basis)	\$ (578,183)	(711,495)	57,327
Increase (Decrease)			
Net adjustments for revenue accruals	833,570	273,915	(18,509)
Net adjustments for expenditure accruals	<u>(690,869)</u>	<u>115,257</u>	<u>(10)</u>
GAAP Basis	<u>\$ (435,482)</u>	<u>(322,323)</u>	<u>38,808</u>

NESHOBA COUNTY

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NESHOBA COUNTY

SUPPLEMENTAL INFORMATION

NESHOBA COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority/ State Administered Small Cities Program Cluster			
Community development block grants/state's program*	14.228	1126-09-050-ED-01	\$ 152,206
Community development block grants/state's program*	14.228	1126-09-050-PF-01	290,274
Subtotal			<u>442,480</u>
HOME investment partnerships program	14.239	1222-M10-SG-280-258	<u>137,775</u>
Total U.S. Department of Housing and Urban Development			<u>580,255</u>
U.S. Department of Transportation/Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 074 B (050)	<u>18,600</u>
National Highway Traffic Safety Administration/ Passed through the Mississippi Department of Public Safety/ Office of Highway Safety State and community highway safety	20.600	11OP1501	<u>4,803</u>
Division of Public Safety Planning Alcohol open container requirements	20.607	11TA1501	<u>42,243</u>
Total U. S. Department of Transportation			<u>65,646</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	FEMA-1972-DR-MS	<u>102,316</u>
Emergency management performance grants	97.042	10EMPL00	5,237
Emergency management performance grants	97.042	DHS-11-GPD-042-004-1	<u>25,572</u>
Subtotal			<u>30,809</u>
Emergency management performance grants	97.044	EMW-2009-FO-05874	<u>12,016</u>
Total U.S. Department of Homeland Security			<u>145,141</u>
Total Expenditures of Federal Awards			<u>\$ 791,042</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Neshoba County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Emergency Management Performance Grant

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$12,016 to subrecipient, Linwood Fire Department, during the year ended September 30, 2011.

* Denotes major federal award program

NESHOBA COUNTY

SPECIAL REPORTS

NESHOBA COUNTY

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

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

Members of the Board of Supervisors
Neshoba County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 10, 2012. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Neshoba County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

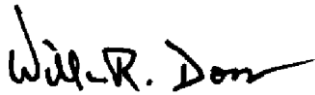
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, and 11-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 11-3.

Neshoba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Neshoba County's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Will-R. Dooss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

August 10, 2012



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Neshoba County, Mississippi

Compliance

We have audited the compliance of Neshoba County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. Neshoba County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Neshoba County, Mississippi's management. Our responsibility is to express an opinion on Neshoba County, Mississippi's compliance based on our audit.

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

In our opinion, Neshoba County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

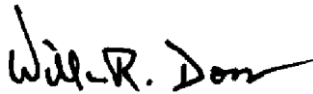
Internal Control Over Compliance

The management of Neshoba County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Neshoba County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

August 10, 2012



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

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

Members of the Board of Supervisors
Neshoba County, Mississippi

We have examined Neshoba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Neshoba County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

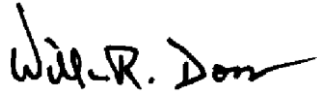
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered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

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

In our opinion, Neshoba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

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

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

A handwritten signature in black ink that reads "Will. R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

August 10, 2012

NESHOBA COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Schedule 1

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

NESHOBA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

NESHOBA COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Schedule 3

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

NESHOBA COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Neshoba County, Mississippi

In planning and performing our audit of the financial statements of Neshoba County, Mississippi for the year ended September 30, 2011, 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 August 10, 2012, on the financial statements of Neshoba County, Mississippi.

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

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

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive, somewhat stylized font.

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

August 10, 2012

NESHOBA COUNTY

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NESHOBA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NESHOPA COUNTY

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NESHOBA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | County Unit Road Fund | Unqualified |
| | Countywide Bridge and Culvert Fund | Unqualified |
| | Solid Waste Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Community development block grants/state's program, CFDA No. 14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

NESHOBA COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. The County should implement controls to ensure preparation of its financial statements.

Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior three years' audit reports, management does not have personnel who possess the necessary training to prepare financial statements in accordance with generally accepted accounting principles. Neshoba County's accounting records are maintained on the cash basis and the auditors assisted in the preparation of accrual entries and the primary government financial statements. However, the County has made all management decisions including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation; evaluating the adequacy and results of the services performed and accepting responsibility of the results of the services.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Board of Supervisors' Response

Neshoba County's policy is to provide accurate information to the agency charged to prepare the county's financial statements and annual audit. Neshoba County feels it is more cost efficient to have the formal financial statements prepared at the time the audit is performed.

Auditor's Note

While the Office of the State Auditor is the agency charged with performing the annual audit, management of Neshoba County is charged with the responsibility of preparing its financial statements in accordance with generally accepted accounting principles.

Material Weakness

- 11 - 2. Financial data of the County's component units should be included in its financial statements.

Finding

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

Recommendation

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

NESHOPA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Board of Supervisors' Response

Neshoba County, by authority of the Board of Trustees of Neshoba County General Hospital and Nursing Home, issues financial statements for the Neshoba County General Hospital and Nursing Home under separate cover of the Neshoba County General Hospital and Nursing Home.

Neshoba County, by and thru the Board of Trustees of the Neshoba County Public Library issues financial statements for the Neshoba County Public Library under separate cover of the Philadelphia-Neshoba County Public Library.

Neshoba County issues financial statements under the direction of the board of directors of the Industrial Development Authority of Neshoba County.

All of the above are made available for public review and made available to the Office of the State Auditor.

Due to funding limitations, the twelve Fire Protection Districts of Neshoba County do not have available funds in order to have prepared financial statements and/or audits prepared.

Material Weakness

Material Noncompliance

11 – 3. County signed warrants without sufficient money.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. At September 30, 2011, the Solid Waste Fund had a negative cash balance of \$303,206. An interfund loan was set up to cover this deficiency. Failure to have sufficient cash balances in county funds prior to writing checks results in other funds' cash being used for purposes other than their intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

The Board of Supervisors has taken the following action to correct this problem. Effective January 1, 2012, no new 65 and over exemptions will be issued for solid waste fees. In addition to no new exemptions the monthly fee has been increased to \$12.50 per month. The Board has plans to secure an operating loan to return the fund to a positive operating position.

Section 3: Federal Award Findings and Questioned Costs

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