

# NESHOBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2012

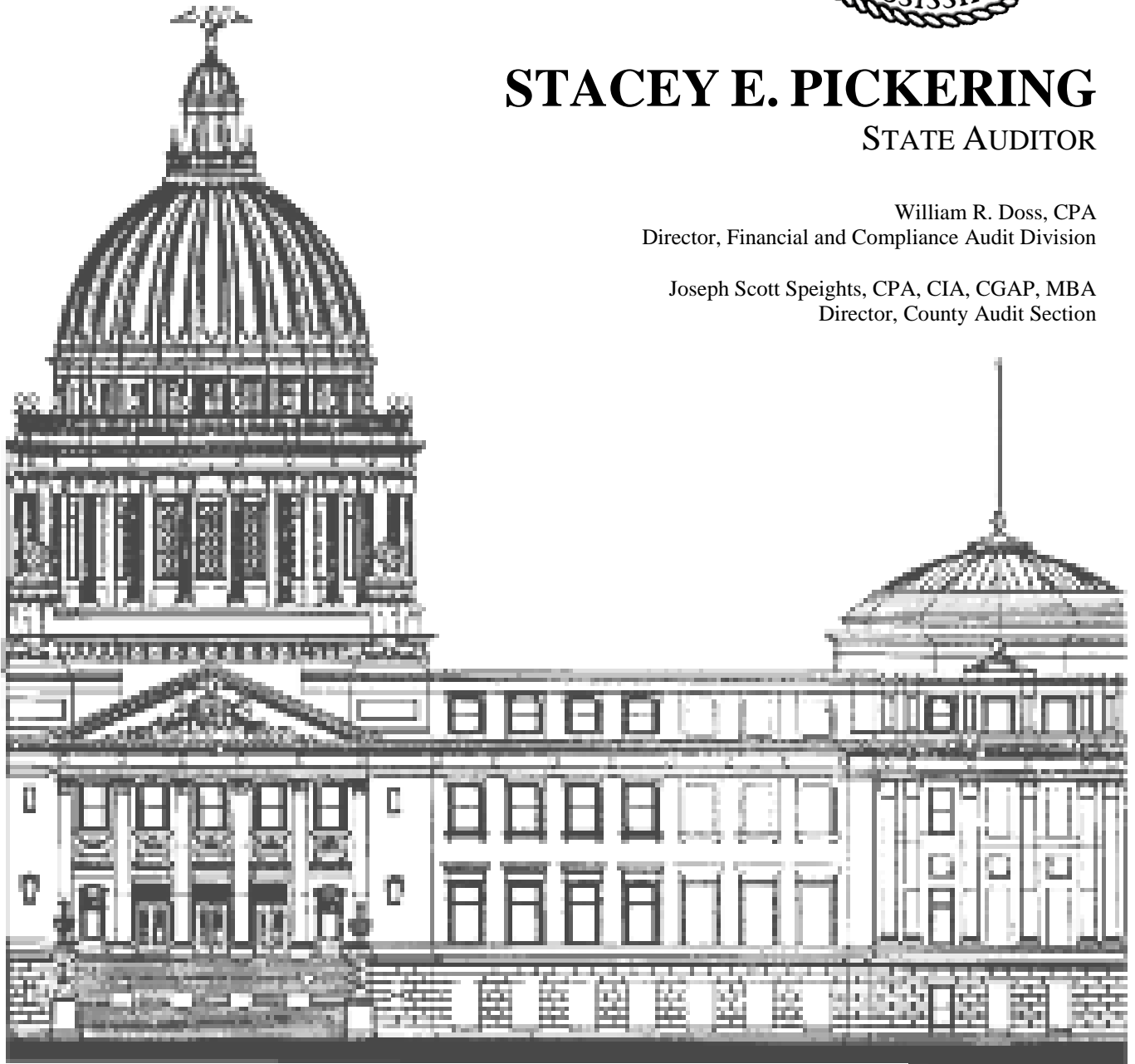


## STACEY E. PICKERING

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

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









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

May 24, 2013

Members of the Board of Supervisors  
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 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, (the County), as of and for the year ended September 30, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, 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.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Neshoba County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



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

May 24, 2013

NESHOBA COUNTY

FINANCIAL STATEMENTS

NESHOBA COUNTY

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NESHOBA COUNTY  
Statement of Net Assets  
September 30, 2012

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 1,977,357		1,977,357
Property tax receivable	5,631,000		5,631,000
Accounts receivable (net of allowance for uncollectibles of \$141,460)		113,064	113,064
Fines receivable (net of allowance for uncollectibles of \$2,313,585)	189,390		189,390
Intergovernmental receivables	112,307		112,307
Other receivables	3,827		3,827
Internal balances	694,730	(694,730)	
Deferred charges - bond issuance costs	110,083		110,083
Capital assets:			
Land and construction in progress	533,374	50,585	583,959
Other capital assets, net	24,528,255	278,123	24,806,378
<b>Total Assets</b>	<b>33,780,323</b>	<b>(252,958)</b>	<b>33,527,365</b>
<b>LIABILITIES</b>			
Claims payable	293,694	254	293,948
Intergovernmental payables	175,289		175,289
Accrued interest payable	100,986		100,986
Deferred revenue	5,631,000		5,631,000
Unearned revenue		10,225	10,225
Other payables	55,676		55,676
Long-term liabilities			
Due within one year:			
Capital debt	902,679	69,610	972,289
Non-capital debt	450,000		450,000
Due in more than one year:			
Capital debt	12,652,515	35,652	12,688,167
Non-capital debt	1,489,147	3,100	1,492,247
<b>Total Liabilities</b>	<b>21,750,986</b>	<b>118,841</b>	<b>21,869,827</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,506,435	223,446	11,729,881
Restricted:			
Expendable:			
General government	33,865		33,865
Public safety	871,566		871,566
Public works	426,343		426,343
Culture and recreation	20,553		20,553
Debt service	262,890		262,890
Nonexpendable	349,504		349,504
Unrestricted	(1,441,819)	(595,245)	(2,037,064)
<b>Total Net Assets</b>	<b>\$ 12,029,337</b>	<b>(371,799)</b>	<b>11,657,538</b>

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

NESHOBA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2012

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	\$ 3,317,894	490,458	41,852		(2,785,584)		(2,785,584)
Public safety	2,903,815	441,180	206,052		(2,256,583)		(2,256,583)
Public works	2,982,040		656,243	36,562	(2,289,235)		(2,289,235)
Health and welfare	130,846		1,069,059	104,453	1,042,666		1,042,666
Culture and recreation	661,270				(661,270)		(661,270)
Conservation of natural resources	65,078				(65,078)		(65,078)
Economic development and assistance	5,910,231			17,193	(5,893,038)		(5,893,038)
Interest on long-term debt	391,889				(391,889)		(391,889)
Total Governmental Activities	<u>16,363,063</u>	<u>931,638</u>	<u>1,973,206</u>	<u>158,208</u>	<u>(13,300,011)</u>		<u>(13,300,011)</u>
Business-type activities:							
Solid Waste	<u>414,232</u>	<u>414,810</u>	<u>39,932</u>			<u>40,510</u>	<u>40,510</u>
Total Business-type Activities	<u>414,232</u>	<u>414,810</u>	<u>39,932</u>	<u>0</u>		<u>40,510</u>	<u>40,510</u>
Total Primary Government	\$ <u>16,777,295</u>	<u>1,346,448</u>	<u>2,013,138</u>	<u>158,208</u>	<u>(13,300,011)</u>	<u>40,510</u>	<u>(13,259,501)</u>
General revenues:							
Property taxes					\$ 7,304,351		7,304,351
Road & bridge privilege taxes					323,486		323,486
Grants and contributions not restricted to specific programs					1,142,080		1,142,080
Unrestricted interest income					9,891	134	10,025
Miscellaneous					638,201	2,355	640,556
Gain (Loss) on sale of capital assets					8,067	(3,434)	4,633
Total General Revenues					<u>9,426,076</u>	<u>(945)</u>	<u>9,425,131</u>
Changes in Net Assets					<u>(3,873,935)</u>	<u>39,565</u>	<u>(3,834,370)</u>
Net Assets - Beginning					<u>15,903,272</u>	<u>(411,364)</u>	<u>15,491,908</u>
Net Assets - Ending					\$ <u>12,029,337</u>	<u>(371,799)</u>	<u>11,657,538</u>

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



NESHOBA COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2012

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund		
<b>ASSETS</b>				
Cash	\$ 145,784	293,097	1,538,476	1,977,357
Property tax receivable	3,215,000	980,000	1,436,000	5,631,000
Fines receivable (net of allowance for uncollectibles of \$2,313,585)	189,390			189,390
Intergovernmental receivables	112,307			112,307
Other receivables	3,827			3,827
Due from other funds	402,905	19,531	50,959	473,395
Advances to other funds	263,142		86,362	349,504
Total Assets	<u>\$ 4,332,355</u>	<u>1,292,628</u>	<u>3,111,797</u>	<u>8,736,780</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 133,284	16,093	144,317	293,694
Intergovernmental payables	166,823			166,823
Due to other funds	78,956		18,800	97,756
Advances from other funds	32,229		6,650	38,879
Deferred revenue	3,404,390	980,000	1,436,000	5,820,390
Other payables	55,676			55,676
Total Liabilities	<u>3,871,358</u>	<u>996,093</u>	<u>1,605,767</u>	<u>6,473,218</u>
Fund balances:				
Nonspendable:				
Advances	263,142			263,142
Restricted for:				
General government			33,865	33,865
Public safety			871,566	871,566
Public works		296,535	216,170	512,705
Culture and recreation			20,553	20,553
Debt service			363,876	363,876
Unassigned	197,855			197,855
Total Fund Balances	<u>460,997</u>	<u>296,535</u>	<u>1,506,030</u>	<u>2,263,562</u>
Total Liabilities and Fund Balances	<u>\$ 4,332,355</u>	<u>1,292,628</u>	<u>3,111,797</u>	<u>8,736,780</u>

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, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,263,562
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 \$13,483,891.	25,061,629
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	189,390
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,494,341)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(100,986)
Deferred charges - bond issuance costs	<u>110,083</u>
Total Net Assets - Governmental Activities	\$ <u><u>12,029,337</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, 2012

	Major Funds			Total Governmental Funds
	General Fund	County wide Bridge and Culvert Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 4,365,723	1,245,468	1,693,160	7,304,351
Road and bridge privilege taxes			323,486	323,486
Licenses, commissions and other revenue	225,665		7,405	233,070
Fines and forfeitures	279,760		7,718	287,478
Intergovernmental revenues	977,539		2,295,955	3,273,494
Charges for services	100,200		275,443	375,643
Interest income	5,371	599	3,921	9,891
Miscellaneous revenues	227,403		410,798	638,201
Total Revenues	<u>6,181,661</u>	<u>1,246,067</u>	<u>5,017,886</u>	<u>12,445,614</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,103,704			3,103,704
Public safety	2,281,540		243,998	2,525,538
Public works		2,174,373	1,464,853	3,639,226
Health and welfare	130,846			130,846
Culture and recreation	550,719		41,001	591,720
Conservation of natural resources	65,078			65,078
Economic development and assistance	4,067,682		1,781,057	5,848,739
Debt service:				
Principal	261,655	442,227	1,154,057	1,857,939
Interest	39,296	13,155	328,417	380,868
Total Expenditures	<u>10,500,520</u>	<u>2,629,755</u>	<u>5,013,383</u>	<u>18,143,658</u>
Excess of Revenues over (under) Expenditures	<u>(4,318,859)</u>	<u>(1,383,688)</u>	<u>4,503</u>	<u>(5,698,044)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	4,000,000	1,078,593		5,078,593
Proceeds from sale of capital assets	651	460,000	55,335	515,986
Transfers in	80,151			80,151
Transfers out			(80,151)	(80,151)
Total Other Financing Sources and Uses	<u>4,080,802</u>	<u>1,538,593</u>	<u>(24,816)</u>	<u>5,594,579</u>
Net Changes in Fund Balances	<u>(238,057)</u>	<u>154,905</u>	<u>(20,313)</u>	<u>(103,465)</u>
Fund Balances - Beginning	<u>699,054</u>	<u>141,630</u>	<u>1,526,343</u>	<u>2,367,027</u>
Fund Balances - Ending	<u>\$ 460,997</u>	<u>296,535</u>	<u>1,506,030</u>	<u>2,263,562</u>

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

NESHOBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (103,465)
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 \$1,281,001 were exceeded by the depreciation of \$1,335,474 in the current period.	(54,473)
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 gain of \$8,067 and the proceeds from the sale of \$515,986 in the current period.	(507,919)
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.	35,447
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 proceeds of \$5,078,593 exceeded debt repayments of \$1,857,939.	(3,220,654)
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:	
Amortization of:	
Issuance cost on refunding bonds	(20,828)
Refunding bonds deferred charges	(14,571)
Premiums on refunding bonds	2,542
Decrease in compensated absences liability	8,978
Decrease in accrued interest payable	<u>1,008</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(3,873,935)</u></u>

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

NESHOBACOUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2012

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Accounts receivable (net of allowance for uncollectibles of \$141,460)	\$ 113,064
Advances to other funds	6,650
Total Current Assets	<u>119,714</u>
Noncurrent assets:	
Capital assets:	
Land	50,585
Other capital assets, net	278,123
Total Noncurrent Assets	<u>328,708</u>
Total Assets	<u>448,422</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	254
Due to other funds	384,105
Advances from other funds	317,275
Unearned revenue	10,225
Capital debt:	
Capital leases payable	69,610
Total Current Liabilities	<u>781,469</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	35,652
Non-capital debt:	
Compensated absences payable	3,100
Total Noncurrent Liabilities	<u>38,752</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	223,446
Unrestricted	(595,245)
Total Net Assets	<u>\$ (371,799)</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, 2012

Exhibit 6

Business-type  
Activities -  
Enterprise Fund

	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 414,810
Operating grants	39,932
Miscellaneous	2,355
Total Operating Revenues	<u>457,097</u>
Operating Expenses	
Personal services	122,564
Contractual services	129,954
Materials and supplies	82,679
Depreciation expense	35,177
Indirect administrative cost	37,867
Total Operating Expenses	<u>408,241</u>
Operating Income (Loss)	<u>48,856</u>
Nonoperating Revenues (Expenses)	
Interest income	134
Gain (loss) on sale of capital assets	(3,434)
Interest expense	(5,991)
Net Nonoperating Revenue (Expenses)	<u>(9,291)</u>
Changes in Net Assets	39,565
Net Assets - Beginning	<u>(411,364)</u>
Net Assets - Ending	<u>\$ (371,799)</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, 2012

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 392,588
Payments to suppliers	(219,409)
Payments to employees	(122,990)
Other operating cash receipts	42,287
Net Cash Provided (Used) by Operating Activities	<u>92,476</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	43,032
Net Cash Provided (Used) by Noncapital Financing Activities	<u>43,032</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(128,852)
Interest paid on debt	(6,790)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(135,642)</u>
Cash Flows From Investing Activities	
Interest on deposits	134
Net Cash Provided (Used) by Investing Activities	<u>134</u>
Net Increase (Decrease) in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	<u>0</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)	\$ 48,856
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	35,177
Provision for uncollectible accounts	22,924
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(46,041)
Increase (decrease) in claims payable	(6,776)
Increase (decrease) in compensated absences liability	(426)
Increase (decrease) in unearned revenue	895
Increase (decrease) in interfund payables	37,867
Total Adjustments	<u>43,620</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 92,476</u>

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

NESHOBA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2012

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 144,875
Due from other funds	<u>8,466</u>
Total Assets	<u><u>\$ 153,341</u></u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 9,609
Intergovernmental payables	<u>143,732</u>
Total Liabilities	<u><u>\$ 153,341</u></u>

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



NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(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, 2012

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, 2012.

#### 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

##### Fund Financial Statements:

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

#### 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, 2012

The county's Enterprise Funds and business-type activities 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.

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

The county reports the following major Enterprise Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPE

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

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### 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. 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.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

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:

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

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

J. 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.

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.

## NESHOBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

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

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

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

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

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

#### L. Property Tax Revenues.

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

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

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

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) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2012, was \$2,122,232, and the bank balance was \$2,577,698. 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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste Fund	\$ 384,105
General	Other Governmental Funds	18,800
Countywide Bridge and Culvert Fund	General	19,531
Other Governmental Funds	General	50,959
Agency Funds	General	8,466
Total		\$ 481,861

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

The amount due to the General Fund from the Solid Waste Fund represents indirect administrative cost incurred during the September 30, 2012 fiscal year and an operating loan to cover negative cash balances. The amount due to the General Fund from the other governmental funds represents shortage of levy funds, which are expected to be repaid within one year. The amount due to the Countywide Bridge and Culvert Fund, other governmental funds, and agency funds represents ad valorem taxes collected by the Tax Collector in September 2012, but not remitted to the county until October, 2012. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Fund	\$ 263,142
Other Governmental Funds	Solid Waste Fund	54,133
Other Governmental Funds	General	32,229
Solid Waste Fund	Other Governmental Funds	<u>6,650</u>
Total		<u>\$ 356,154</u>

The amounts due to the General Fund and Other Governmental Funds 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 Other Governmental Funds. The amount due to the Other Governmental Funds from the General Fund represents services provided for the coliseum in the previous fiscal year. The amount due to Solid Waste Fund from the Other Governmental Funds was for an operating loan. None of these advances are expected to be paid within one year.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>80,151</u>

The principal purpose of interfund transfers was to close out inactive funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities: Legislative tax credit	\$ <u>112,307</u>



NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

**Governmental activities:**

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 459,373		25,000		434,373
Construction in progress	455,018	122,460		(478,477)	99,001
Total non-depreciable capital assets	914,391	122,460	25,000	(478,477)	533,374
<u>Depreciable capital assets:</u>					
Infrastructure	12,628,130			488,242	13,116,372
Buildings	10,435,287				10,435,287
Improvements other than buildings	4,934,611				4,934,611
Mobile equipment	6,518,055	7,690	194,674	415,520	6,746,591
Furniture and equipment	880,469	50,318	210,135		720,652
Leased property under capital leases	2,143,090	1,100,533	769,470	(415,520)	2,058,633
Total depreciable capital assets	37,539,642	1,158,541	1,174,279	488,242	38,012,146
<u>Less accumulated depreciation for:</u>					
Infrastructure	1,511,061	394,721		9,765	1,915,547
Buildings	2,826,092	199,155			3,025,247
Improvements other than buildings	1,858,801	175,618			2,034,419
Mobile equipment	4,939,080	278,101	161,733	193,162	5,248,610
Furniture and equipment	768,710	47,003	183,365		632,348
Leased property under capital leases	926,268	240,876	346,262	(193,162)	627,720
Total accumulated depreciation	12,830,012	1,335,474	691,360	9,765	13,483,891
Total depreciable capital assets, net	24,709,630	(176,933)	482,919	478,477	24,528,255
Governmental activities capital assets, net	\$ 25,624,021	(54,473)	507,919	0	25,061,629

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

**Business-type activities:**

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<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	419,952		34,349	58,800	444,403
Leased property under capital leases	390,852			(58,800)	332,052
Total depreciable capital assets	810,804	0	34,349	0	776,455
<u>Less accumulated depreciation for:</u>					
Mobile equipment	377,956	5,292	30,915	26,460	378,793
Leased property under capital leases	116,114	29,885		(26,460)	119,539
Total accumulated depreciation	494,070	35,177	30,915	0	498,332
Total depreciable capital assets, net	316,734	(35,177)	3,434	0	278,123
Business-type activities capital assets, net	\$ 367,319	(35,177)	3,434	0	328,708

\*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.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 207,225
Public safety	374,574
Public works	558,728
Culture and recreation	133,455
Economic development and assistance	61,492
Total governmental activities depreciation expense	\$ 1,335,474
<u>Business-type activities:</u>	
Solid waste	\$ 35,177

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
STP-0050(33)B	\$ 2,730,000	06/2013
BR-0555B	269,000	10/2012
Emergency Operations Center	1,287,822	12/2013

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As 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, 2012. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>		<u>Amount</u>
2013	\$	45,996
2014		<u>34,497</u>
Total Minimum Payments Required	\$	<u><u>80,493</u></u>

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,369,809	332,052
Furniture and equipment	<u>688,824</u>	<u>          </u>
Total	2,058,633	332,052
Less: Accumulated depreciation	<u>(627,720)</u>	<u>(119,539)</u>
Leased Property Under Capital Leases	<u><u>\$ 1,430,913</u></u>	<u><u>212,513</u></u>

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 220,636	26,113	69,610	2,361
2014	171,901	21,236	35,652	335
2015	124,724	17,676		
2016	125,099	14,907		
2017	660,388	9,868		
Total	\$ 1,302,748	89,800	105,262	2,696

(9) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Park construction – 2005	\$ 2,975,000	3.60/4.00%	06/2025
2009 Refunding	1,880,000	2.25/3.00%	03/2016
2009 Road and Bridge	1,685,000	2.80/4.00%	05/2024
2011 Refunding	2,470,000	2.00/3.50%	10/2021
Total General Obligation Bonds	\$ 9,010,000		
B. Capital Leases:			
2 2010 Crown Victorias	\$ 13,152	3.20%	07/2013
2 2011 Crown Victorias	46,006	3.00%	08/2014
2010 Ford E-350 Ambulance	20,131	3.05%	02/2014
Caterpillar Wheel Loader	149,003	1.95%	09/2017
2 Case 580 SN Backhoes	163,682	2.04%	06/2017
Caterpillar Tractor D6TXW	265,685	2.04%	06/2017
Caterpillar Wheel Loader 950H	200,118	2.04%	06/2017
Caterpillar Excavator 336 EL	272,845	2.04%	06/2017
New E-911 equipment	29,518	4.12%	12/2012
Computer based CAD system	48,315	3.24%	10/2014
Watchfire message center	17,467	3.07%	08/2016
2011 Ford F-150 truck without body	76,826	3.07%	09/2016
Total Capital Leases	\$ 1,302,748		

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>C. Other Loans:</b>			
MDA Cap Imp Rev Loan spec building	\$ 117,812	3.00%	10/2014
TVA Loan spec building	145,791	2.00%	09/2014
Brooke Building Loan	498,105	3.00%	04/2020
MDA Cap Imp Rev Loan Durasip building	340,309	3.00%	12/2030
MDA Cap Imp Rev Loan Garan building	42,208	3.00%	04/2021
MDA Cap Imp Rev Loan Hospital	4,000,000	2.00%	01/2033
Total Other Loans	\$ <u>5,144,225</u>		

**Business-type Activities:**

<b>Capital Leases:</b>			
Garbage trucks	\$ <u>105,262</u>	3.21%	03/2014

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
2013	\$ 955,000	285,772
2014	975,000	258,102
2015	1,015,000	229,056
2016	1,050,000	197,406
2017	570,000	168,969
2018 – 2022	3,260,000	558,040
2023 – 2027	1,185,000	65,282
Total	\$ <u>9,010,000</u>	<u>1,762,627</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2013	\$ 177,043	30,743
2014	184,455	26,096
2015	52,760	22,668
2016	54,333	21,096
2017	56,018	19,411
2018 – 2022	298,615	70,620
2023 – 2027	243,035	26,377
2028 – 2032	4,077,966	3,808
Total	\$ <u>5,144,225</u>	<u>220,819</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2012, the amount of outstanding debt was equal to 5.56% of the latest property assessments.

NESHOBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2012, \$2,190,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments*	Balance Sept. 30, 2012	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 101,261		8,978		92,283	
General obligation bonds	10,005,000		995,000		9,010,000	955,000
Less:						
Deferred amount on refunding	(91,096)		(14,571)		(76,525)	
Add:						
Premiums	24,152		2,542		21,610	
Capital leases	914,724	1,078,593	329,015	(361,554)	1,302,748	220,636
Other loans	1,316,595	4,000,000	172,370		5,144,225	177,043
Total	<u>\$ 12,270,636</u>	<u>5,078,593</u>	<u>1,493,334</u>	<u>(361,554)</u>	<u>15,494,341</u>	<u>1,352,679</u>
<b>Business-type Activities:</b>						
Compensated absences	\$ 3,526		426		3,100	
Capital leases	180,167		74,905		105,262	69,610
Other loans	53,947		53,947		0	
Total	<u>\$ 237,640</u>	<u>0</u>	<u>129,278</u>	<u>0</u>	<u>108,362</u>	<u>69,610</u>

\* Adjustments represent capital lease buybacks.

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

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
Solid Waste Fund	\$ (371,799)

(11) Contingencies.

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

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

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(12) Joint Ventures.

The county participates in the following joint venture:

Neshoba County is a participant with Neshoba County General Hospital & Nursing Home in a joint venture, authorized by Section 45-55-1, Miss. Code Ann. (1972), to operate the Neshoba County Ambulance Enterprise. The joint venture was created to provide the operation of a public ambulance service to the citizens of the county. The joint venture is controlled by a five member Enterprise Management Committee including Hospital Chief Executive Officer, Hospital Chief Financial Officer, Hospital Director of Ambulance, County Emergency Management Director, and County Administrator. The county provided no financial support in fiscal year 2012.

(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 Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$527,736 for the maintenance and support of the college in fiscal year 2012.

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 2012.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$17,419 for support of the district in fiscal year 2012.

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 \$23,658 for support of the commission in fiscal year 2012.

(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, 2012, 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, 2012 was 14.26% 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, 2012, 2011 and 2010 were \$493,704, \$447,290 and \$455,992, respectively, equal to the required contributions for each year.

NESHOPA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(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 May 24, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, 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>
02/04/2013	1.64%	\$	135,390	Capital lease	Ad valorem taxes



NESHOBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY

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NESHOBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,641,430	4,574,067	4,574,067	
Licenses, commissions and other revenue	222,000	222,823	222,823	
Fines and forfeitures	365,000	290,899	290,899	
Intergovernmental revenues	1,038,000	1,043,915	1,043,915	
Charges for services	160,000	100,200	100,200	
Interest income	5,000	5,483	5,483	
Miscellaneous revenues	145,000	291,723	291,723	
Total Revenues	<u>6,576,430</u>	<u>6,529,110</u>	<u>6,529,110</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,038,155	3,129,353	3,129,353	
Public safety	2,095,798	2,357,199	2,357,199	
Health and welfare	118,953	133,543	133,543	
Culture and recreation	513,663	552,702	552,702	
Education	325,000	325,923	325,923	
Conservation of natural resources	78,788	64,864	64,864	
Economic development and assistance	283,180	275,467	275,467	
Total Expenditures	<u>6,453,537</u>	<u>6,839,051</u>	<u>6,839,051</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>122,893</u>	<u>(309,941)</u>	<u>(309,941)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		80,151	80,151	
Other financing sources		234,759	234,759	
Other financing uses	(122,863)	(6,925)	(6,925)	
Total Other Financing Sources and Uses	<u>(122,863)</u>	<u>307,985</u>	<u>307,985</u>	<u>0</u>
Net Change in Fund Balance	30	(1,956)	(1,956)	
Fund Balances - Beginning	<u>899,714</u>	<u>169,010</u>	<u>169,266</u>	<u>256</u>
Fund Balances - Ending	<u>\$ 899,744</u>	<u>167,054</u>	<u>167,310</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)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,260,000	1,248,091	1,248,091	
Interest income		599	599	
Total Revenues	<u>1,260,000</u>	<u>1,248,690</u>	<u>1,248,690</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,260,000	1,555,263	1,099,881	455,382
Principal			443,440	(443,440)
Interest			11,942	(11,942)
Total Expenditures	<u>1,260,000</u>	<u>1,555,263</u>	<u>1,555,263</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(306,573)</u>	<u>(306,573)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		460,000	460,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>460,000</u>	<u>460,000</u>	<u>0</u>
Net Change in Fund Balance	0	153,427	153,427	
Fund Balances - Beginning	<u>250,000</u>	<u>139,669</u>	<u>139,669</u>	
Fund Balances - Ending	<u>\$ 250,000</u>	<u>293,096</u>	<u>293,096</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, 2012

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ (1,956)	153,427
Increase (Decrease)		
Net adjustments for revenue accruals	3,418,443	1,075,970
Net adjustments for expenditure accruals	(3,654,544)	(1,074,492)
GAAP Basis	\$ (238,057)	154,905

NESHOBA COUNTY

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NESHOBA COUNTY

OTHER INFORMATION

NESHOBA COUNTY

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NESHOBA COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2012  
UNAUDITED

Name	Position	Company	Bond
Keith Lillis	Supervisor District 1	Travelors Casualty & Surety of America	\$ 100,000
Kevin Cumberland	Supervisor District 2	Travelors Casualty & Surety of America	100,000
Kinsey Smith	Supervisor District 3	Travelors Casualty & Surety of America	100,000
Marty Sistrunk	Supervisor District 4	Travelors Casualty & Surety of America	100,000
Obbie Riley	Supervisor District 5	Travelors Casualty & Surety of America	100,000
Benjie Coats	County Administrator	Travelors Casualty & Surety of America	100,000
Guy Nowell	Chancery Clerk	Travelors Casualty & Surety of America	100,000
Faye Russell	Purchase Clerk	Travelors Casualty & Surety of America	75,000
Benjie Coats	Assisstant Purchase Clerk	Travelors Casualty & Surety of America	50,000
Laura McLemore	Receiving Clerk	Travelors Casualty & Surety of America	75,000
Tammy Gomillion	Assisstant Receiving Clerk	Travelors Casualty & Surety of America	50,000
Benjie Coats	Inventory Control Clerk	Travelors Casualty & Surety of America	75,000
Eddie Posey	Road Manager	Travelors Casualty & Surety of America	50,000
Paul Payne	Constable	Travelors Casualty & Surety of America	50,000
Kenneth Ray Spears	Constable	Travelors Casualty & Surety of America	50,000
Pattie Duncan Lee	Circuit Clerk	Travelors Casualty & Surety of America	100,000
Tommy Waddell	Sheriff	Travelors Casualty & Surety of America	100,000
18 Deputies	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelors Casualty & Surety of America	50,000
Steve Cumberland	Justice Court Judge	Travelors Casualty & Surety of America	50,000
Brad Stuart	Justice Court Judge	Travelors Casualty & Surety of America	50,000
Lynell Coleman	Justice Court Clerk	Travelors Casualty & Surety of America	50,000
Summer Greer	Deputy Justice Court Clerk	Travelors Casualty & Surety of America	50,000
Jean Nowell	Deputy Justice Court Clerk	Travelors Casualty & Surety of America	50,000
Jennifer Wedgeworth	Deputy Justice Court Clerk	Travelors Casualty & Surety of America	50,000
Mike Lewis	Tax Collector-Assessor	Travelors Casualty & Surety of America	100,000

NESHOBA COUNTY

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NESHOBA COUNTY

SPECIAL REPORTS

NESHOBA COUNTY

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

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

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have audited 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, 2012, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 24, 2013. 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 Responses, 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 Responses as 12-1, 12-2 and 12-3 to be material weaknesses.

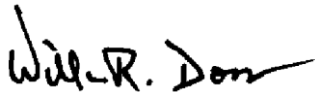
Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 12-2.

Also, we noted a certain matter that we reported to the management of Neshoba County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated May 24, 2013, included within this document.

Neshoba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. 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 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.

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

May 24, 2013



**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, 2012. 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.

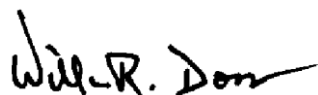
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered 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, 2012.

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.

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

May 24, 2013



NESHOBA COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2012

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, 2012

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, 2012

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, 2012, we considered Neshoba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Neshoba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 24, 2013, on the financial statements of Neshoba County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Board of Supervisors.

Elected officials should be paid on a monthly or semi-monthly pay schedule.

Finding

Section 25-3-17 and 25-3-29, Miss. Code Ann. (1972), states that elected officials salaries shall be payable monthly on the first day of each calendar month during the calendar year, however, the board of supervisors, by resolution duly adopted and entered on its minutes, may provide that such salaries shall be paid semi-monthly on the first and fifteenth day of each month. During fiscal year ended September 30, 2012, elected officials were paid on a bi-weekly schedule. Failure to pay elected officials salaries monthly or semi-monthly could result in over payment or misuse of county funds.

Recommendation

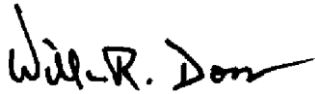
The County should implement the proper payroll schedule of either monthly or semi-monthly payment of elected officials.

Board of Supervisors' Response

Effective January 2013, the Board of Supervisors changed payroll for elected officials to the first and fifteenth of each month effective January 2013.

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

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

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

May 24, 2013

NESHOBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NESHOBA COUNTY

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NESHOPA COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2012

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
	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

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

12-1. 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 five years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

Neshoba County, by authority of the 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

### Schedule of Findings and Responses For the Year Ended September 30, 2012

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

#### 12-2. 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. As reported in the prior year's audit report, the Solid Waste Fund had a negative cash balance. At September 30, 2012, the Solid Waste Fund had a negative cash balance of \$367,999. An interfund loan was set up to cover this deficiency. Failure to have sufficient cash balances in county funds prior to writing checks could result 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 will make necessary loans to solid waste to prevent this from occurring in the future. The Board is working with other officials to reduce operating expense in Solid Waste and increase revenue in order to repay all obligations.

Board of Supervisors and Justice Court Clerk.

#### Material Weakness

#### 12-3. Multiple weaknesses noted in the internal control structure in the Justice Court Clerk's office.

##### Finding

An effective system of internal control over the collection, recording, and disbursement of cash should include maintaining monthly reconciliations, cash journals, and other supporting documentation. During our testing of internal controls and compliance we noted the following:

1. Deposits to the criminal and civil/clearing accounts were not being made timely.
2. The criminal, civil, and clearing cash journals were not being reconciled to the corresponding bank accounts.
3. At November 2012, a cash count revealed an overage in the civil/clearing account in the amount of \$3,732.

NESHOBA COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2012

4. A \$220 check was missing from the deposit on October 8, 2012.

Failure to implement internal controls surrounding the deposits of cash collections and improper reconciliations of cash accounts could result in misappropriation of public funds and improper revenue recognition.

Recommendation

The Justice Court Clerk should properly reconcile all cash journals to the bank accounts monthly and daily deposits should be made. The cash overage from the civil/clearing account should be settled to the county after the accounts are properly reconciled.

Board of Supervisors' Response

The Justice Court Clerk has been given an improvement plan for that office. The Board will review that progress each month to make sure items 1-4 have been corrected.

Justice Court Clerk's Response

1. Instituted a policy that all deposits be made daily.
2. Bank statements will be reconciled monthly, cash journals will be reconciled daily.
3. Civil/clearing account will be adjusted with the January settlement closing.
4. The missing \$220 check is being reviewed.