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**Copiah County, Mississippi**  
Audited Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2012

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Copiah County, Mississippi**  
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## Copiah County Location in Mississippi



The area that is now Copiah County was ceded to the United States by the Choctaw tribe in the treaty known as the “Doak’s Stand Treaty” on October 18, 1820. The name Copiah comes from the Choctaw language and is a combination of two words – *Coi* (panther) and *Apahyah* (to call out) and thus “calling panther”.

Formed on January 21, 1823, Copiah County was formed by a division of Hinds and Yazoo counties. At that time Copiah included all of its present area as well as all of Simpson County, about one third of Lincoln, and about one thousand acres of Franklin. The county now contains 769 square miles and is the seventh largest area in the state. Some of the early communities were Coor’s Springs, which was the first county seat, Gallatin, Crystal Springs, Centerpoint, Conn, Union School and Georgetown. The town of Hazlehurst, the current county seat, was established as a railroad stop in 1856.

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FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Copiah County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Copiah County, Mississippi, 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 separated 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 Copiah 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major

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fund and the aggregate remaining fund information of Copiah County, Mississippi, as of September 30, 2012, and the respective changes in financial position, 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 July 15, 2013, on our consideration of Copiah 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 Management's Discussion and Analysis, 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 regarding 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.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
July 15, 2013

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Copiah County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

## **INTRODUCTION**

The following discussion and analysis of Copiah County, Mississippi's financial performance provides an overview of the County's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the County's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the County's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Total net assets for 2012 increased \$745,922, which represents a 1.5% increase from 2011. Total net assets for 2011 decreased \$162,670, which represents a 0.32% decrease from 2010.
- The County had \$15,063,204 in total revenues for 2012. Tax revenues account for \$8,476,025 or 56% of total revenues for 2012. Charges for services account for \$2,479,990 or 16% for 2012. The County had \$15,842,549 in total revenues for 2011. Tax revenues account for \$8,370,555 or 53% of total revenues for 2011. Charges for services account for \$2,728,611 or 17% for 2011.
- For 2012, the County had \$14,317,282 in total expenses. Expenses in the amount of \$5,591,202 were offset by charges for services, grants, or outside contributions. General revenues of \$9,472,002 were adequate to provide for the remainder of the expenses. For 2011, the County had \$16,005,219 in total expenses. Expenses in the amount of \$6,552,024 were offset by charges for services, grants, or outside contributions. General revenues of \$9,290,525 were not adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$6,339,214 in revenues and \$6,929,441 in expenditures. The General Fund's fund balance decreased \$526,258 over the prior year. For 2011, the General Fund had revenues of \$6,541,770, and expenditures in the amount of \$7,023,442. Its fund balance decreased \$661,253 over the prior year.
- Among major funds, the County Road Maintenance Fund had \$2,912,715 in revenues, and \$3,273,145 in expenditures. The County Road Maintenance Fund's fund balance increased \$31,483 from 2011. In the prior year, the County Road Maintenance Fund had \$2,705,949 in revenues, and \$2,952,523 in expenditures. The County Road Maintenance Fund's fund balance decreased \$246,574 from 2010.
- Capital assets, net of accumulated depreciation, increased by \$343,091 primarily due to additions to land and construction in progress during the year. In 2011, capital assets, net of accumulated depreciation, decreased by \$247,914.

**Copiah County, Mississippi**  
Management's Discussion and Analysis  
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- Long-term debt decreased by \$672,419 mainly due to payment on outstanding long-term debt. In 2011, long-term debt decreased by \$772,417.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Figure 1 – Required Components of the County's Annual Report**

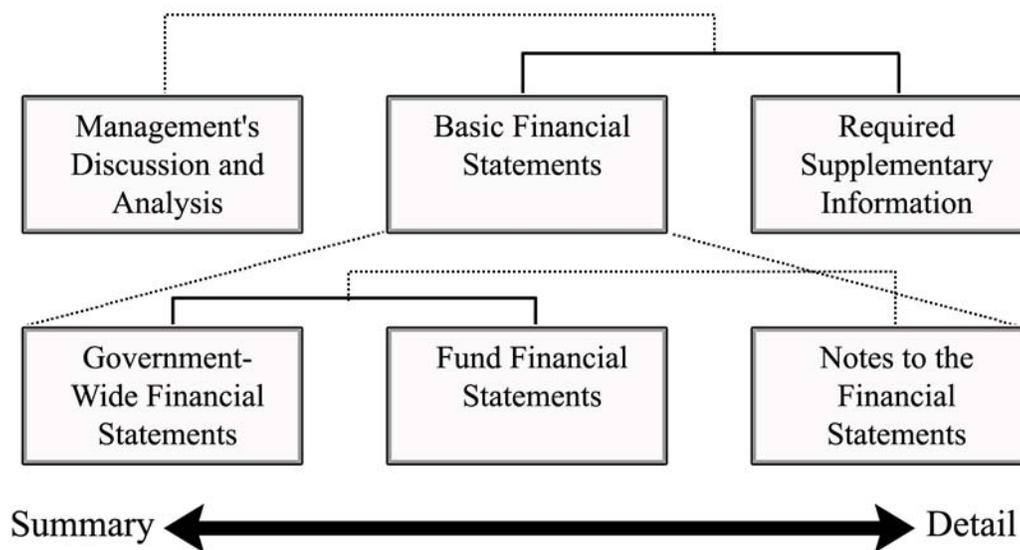


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

The next page summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

The next page also shows the Major Features of the County's Government-Wide and Fund Financial Statements

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of Net Assets  * Statement of Activities	* Balance Sheet  * Statement of Revenues, Expenditures and Changes in Fund Balances	* Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets, liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	N/A

**Copiah County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the County's nonfiduciary assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, education, conservation of natural resources, economic development and interest on long-term debt.

The County has three (3) component units that are omitted from this report:

**Copiah County Economic Development District**  
**Hardy Wilson Memorial Hospital**  
**Copiah-Jefferson Regional Library**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

**Copiah County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Governmental funds** - Most of the County's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the County's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may gain a better understanding of the long-term impact of the County's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. These funds are reported using the accrual basis of accounting. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

**Copiah County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Bond and notes proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

### **Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

### **Supplemental Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 can be found in this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

Net assets may serve over time as a useful indicator of government's financial position. In the case of Copiah County, assets exceeded liabilities by \$50,875,212 as of September 30, 2012.

**Copiah County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

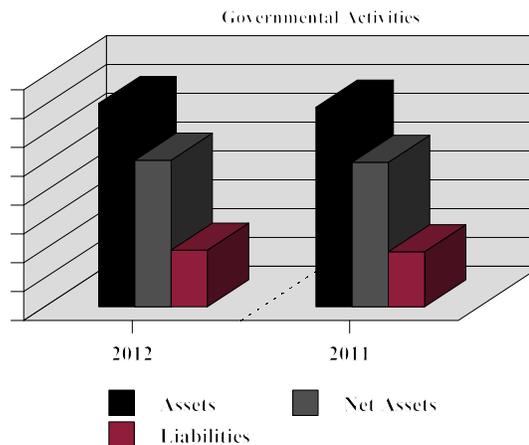
The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the County's net assets for the governmental activities at September 30, 2012 and September 30, 2011.

	09/30/12	09/30/11
<b>Assets:</b>		
Current assets	\$ 15,502,139	14,519,594
Capital assets, net	55,079,760	54,736,669
<b>Total Assets</b>	<b>70,581,899</b>	<b>69,256,263</b>
<b>Liabilities:</b>		
Current liabilities	10,557,234	9,305,101
Long-term debt outstanding	9,149,453	9,821,872
<b>Total Liabilities</b>	<b>19,706,687</b>	<b>19,126,973</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	47,735,584	46,879,607
Restricted assets	2,547,970	2,013,069
Unrestricted	591,658	1,236,614
<b>Total Net Assets</b>	<b>\$ 50,875,212</b>	<b>50,129,290</b>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The retirement of long-term debt in the amount of \$1,121,741 during the year
- Capital assets, net of accumulated depreciation, increased by \$343,091 primarily due to additions to land and construction in progress.



**Copiah County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

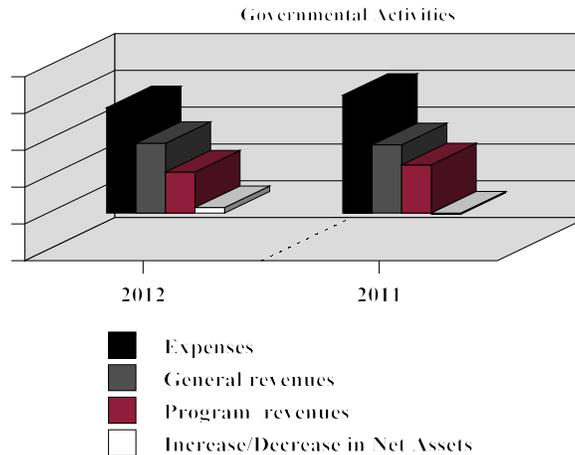
**Changes in Net Assets**

Copiah County's total revenues for the fiscal year ended September 30, 2012 were \$15,063,204 and \$15,842,549 for 2011. The total cost of all services provided was \$14,317,282 for 2012 and \$16,005,219 for 2011. The increase in net assets was \$745,922 for 2012, and the decrease in net assets was \$162,670 for 2011.

The following table presents a summary of the changes in net assets for the governmental activities for the fiscal year ended September 30, 2012 and September 30, 2011.

	Fiscal Year Ended 09/30/12	Fiscal Year Ended 09/30/11
Revenues:		
Program revenues:		
Charges for services	\$ 2,479,990	2,728,611
Operating grants & contributions	1,609,258	1,142,768
Capital grants & contributions	1,501,954	2,680,645
General revenues:		
Taxes	8,476,025	8,370,555
Grants and contributions	638,560	602,822
Unrestricted interest income	32,528	19,282
Other	324,889	297,866
Total Revenues	<u>15,063,204</u>	<u>15,842,549</u>
Expenses:		
General government	3,272,424	2,860,041
Public safety	3,629,156	4,163,235
Public works	5,665,936	7,546,641
Health & welfare	373,512	380,077
Culture & recreation	171,414	140,391
Education	64,178	45,787
Conservation of natural resources	84,850	79,140
Economic development and assistance	675,855	441,613
Interest on long-term debt	379,957	348,294
Total Expenses	<u>14,317,282</u>	<u>16,005,219</u>
Increase/ (Decrease) in Net Assets	<u>\$ 745,922</u>	<u>(162,670)</u>

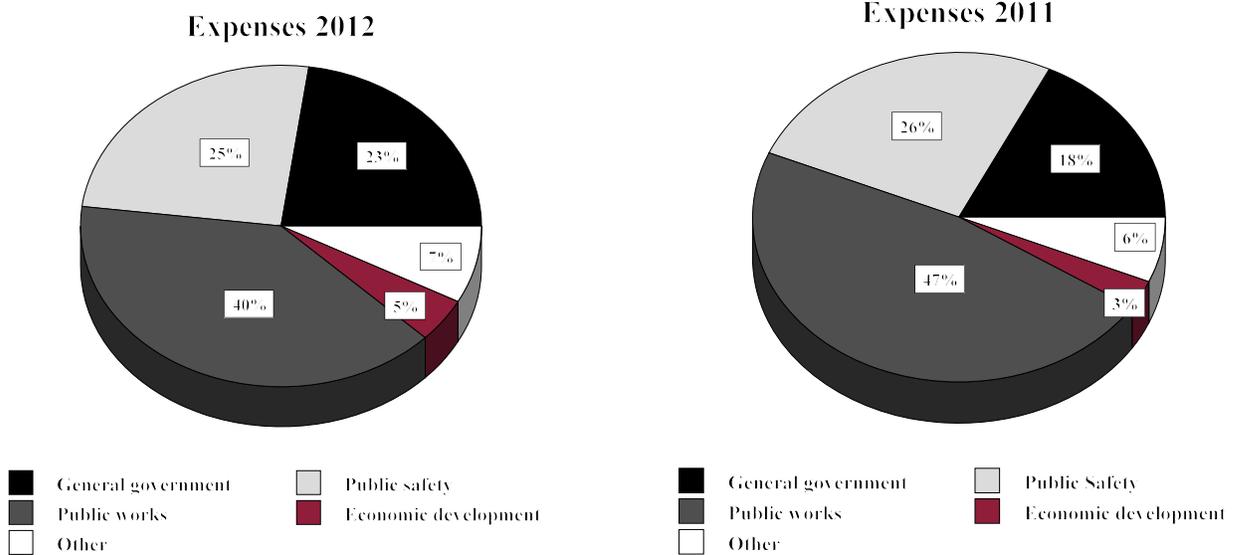
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**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**



**Governmental Activities** – The following table presents the cost of major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Education, Conservation of Natural Resources, Economic Development & Assistance and Interest on Long Term Debt for the governmental activities. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Copiah County's taxpayers by each of these functions.

	2012 Total Cost	2012 Net Cost	2011 Total Cost	2011 Net Cost
<u>Governmental Activities:</u>				
General government	\$ 3,272,424	(2,408,857)	2,860,041	(1,885,529)
Public safety	3,629,156	(2,825,781)	4,163,235	(3,107,695)
Public works	5,665,936	(2,623,115)	7,546,641	(4,451,611)
Health and welfare	373,512	(302,514)	380,077	(322,767)
Culture and recreation	171,414	(159,915)	140,391	(127,322)
Education	64,178	(64,178)	45,787	(45,787)
Conservation of natural resources	84,850	(84,850)	79,140	(79,140)
Economic development and assistance	675,855	123,087	441,613	914,950
Interest on long term debt	379,957	(379,957)	348,294	(348,294)
Total Expenses	<u>\$ 14,317,282</u>	<u>(8,726,080)</u>	<u>16,005,219</u>	<u>(9,453,195)</u>

**Copiah County, Mississippi**  
 Management's Discussion and Analysis  
 For the Year Ended September 30, 2012



**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental funds** – At the close of the fiscal year, Copiah County's governmental funds reported a combined fund balance of \$3,720,331, a decrease of \$252,202 from 2011. In 2011, the combined fund balance was \$3,972,533 a decrease of \$715,120 from the prior year. The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$526,258.

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

Over the course of the year, Copiah County revised its annual operating budget on several occasions. Budgeted revenues were changed as better estimates became available.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other special revenue major funds is provided in this report as required supplementary information.

**Copiah County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Governmental Activities:**

**Capital Assets** - As of September 30, 2012, Copiah County's total capital assets were \$138,665,395. This includes land, infrastructure, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase from the previous year of \$1,584,209. Total accumulated depreciation as of September 30, 2012 was \$83,585,635 including \$1,519,950 of depreciation expense for the year. The balance in total net capital assets was \$55,079,760 at year-end.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Change</u>
Land	\$ 1,464,733	1,182,355	24%
Construction in progress	218,299	172,615	26%
Infrastructure	114,549,949	113,447,535	1%
Buildings	9,883,554	9,883,554	0%
Improvements other than buildings	2,708,472	2,626,478	3%
Mobile equipment	5,604,395	5,627,122	0%
Furniture and equipment	1,497,183	1,318,488	14%
Leased property under capital leases	2,738,810	2,823,039	-3%
Accumulated depreciation	(83,585,635)	(82,344,517)	2%
Total Capital Assets, net	<u>\$ 55,079,760</u>	<u>54,736,669</u>	1%

**Debt Administration** – At September 30, 2012, Copiah County had \$9,149,453 in long-term debt outstanding. This includes general obligation bonds, obligations under capital leases, and other loans. Of this debt, \$932,760 is due within one year.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Change</u>
General obligation bonds	\$ 6,670,000	7,060,000	-6%
Deferred amount on refunding	(77,157)	(85,730)	-10%
Discounts	(24,464)	(27,182)	-10%
Capital leases payable	1,848,862	2,020,767	-9%
Other loans	520,314	636,295	-18%
Compensated absences	211,898	217,722	-3%
Total Long-Term Debt	<u>\$ 9,149,453</u>	<u>9,821,872</u>	-7%

**Copiah County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Copiah County Administrator's office at the following number: (601) 894-1858 or by mail at Post Office Box 551, Hazlehurst, Mississippi 39083.

## FINANCIAL STATEMENTS

COPIAH COUNTY, MISSISSIPPI  
Statement of Net Assets  
September 30, 2012

Exhibit 1

	<u>Primary Government</u>
	Governmental
	<u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 4,688,334
Property tax receivable	9,127,000
Accounts receivable (net of allowance for uncollectibles of \$887,214)	477,731
Fines receivable (net of allowance for uncollectibles of \$929,728)	42,891
Capital leases receivable	688,316
Intergovernmental receivables	400,787
Other receivables	4,804
Deferred charge - issuance cost	72,276
Capital assets:	
Land and construction in progress	1,683,032
Other capital assets, net	53,396,728
Total Assets	<u>70,581,899</u>
<b>LIABILITIES</b>	
Claims payable	830,719
Intergovernmental payables	502,524
Accrued interest payable	29,556
Deferred revenue	9,154,084
Unearned revenue	11,185
Amounts held in custody for others	29,166
Long-term liabilities	
Due within one year:	
Capital debt	767,760
Non-capital debt	165,000
Due in more than one year:	
Capital debt	6,576,416
Non-capital debt	1,640,277
Total Liabilities	<u>19,706,687</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	47,735,584
Restricted:	
Expendable:	
General government	63,524
Public safety	508,609
Public works	1,835,280
Culture and recreation	36,057
Economic development	104,500
Unrestricted	591,658
Total Net Assets	<u>\$ 50,875,212</u>

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

COPIAH COUNTY, MISSISSIPPI  
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
Primary government:					
Governmental activities:					
General government	\$ 3,272,424	819,514	44,053		(2,408,857)
Public safety	3,629,156	443,528	156,202	203,645	(2,825,781)
Public works	5,665,936	1,205,449	862,845	974,527	(2,623,115)
Health and welfare	373,512		70,998		(302,514)
Culture and recreation	171,414	11,499			(159,915)
Education	64,178				(64,178)
Conservation of natural resources	84,850				(84,850)
Economic development and assistance	675,855		475,160	323,782	123,087
Interest on long-term debt	379,957				(379,957)
Total Governmental Activities	<u>14,317,282</u>	<u>2,479,990</u>	<u>1,609,258</u>	<u>1,501,954</u>	<u>(8,726,080)</u>
General revenues:					
Property taxes				\$	8,121,630
Road & bridge privilege taxes					354,395
Grants and contributions not restricted to specific programs					638,560
Unrestricted interest income					32,528
Miscellaneous					324,889
Total General Revenues					<u>9,472,002</u>
Changes in Net Assets					745,922
Net Assets - Beginning					<u>50,129,290</u>
Net Assets - Ending				\$	<u><u>50,875,212</u></u>

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

COPIAH COUNTY, MISSISSIPPI  
 Balance Sheet - Governmental Funds  
 September 30, 2012

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,907,634	452,377	2,328,323	4,688,334
Property tax receivable	5,008,768	1,977,953	2,140,279	9,127,000
Accounts receivable (net of allowance for uncollectibles of \$887,214)			477,731	477,731
Fines receivable (net of allowance for for uncollectibles of \$929,728)	42,891			42,891
Capital lease receivables			688,316	688,316
Intergovernmental receivables	113,899		286,888	400,787
Other receivables	4,804			4,804
Due from other funds	152,199	103,978	115,714	371,891
Advances to other funds	78,951	169,912	17,500	266,363
Total Assets	\$ 7,309,146	2,704,220	6,054,751	16,068,117
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 82,901	172,351	575,467	830,719
Intergovernmental payables	455,079			455,079
Due to other funds	267,137		152,199	419,336
Advances from other funds	17,500		248,863	266,363
Deferred revenue	5,051,659	1,977,953	3,306,326	10,335,938
Unearned revenue			11,185	11,185
Amounts held in custody for others	29,166			29,166
Total Liabilities	5,903,442	2,150,304	4,294,040	12,347,786
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Advances	78,951	169,912	17,500	266,363
<b>Restricted for:</b>				
General government			63,524	63,524
Public safety			508,839	508,839
Public works		384,004	1,281,134	1,665,138
Culture and recreation			36,057	36,057
Economic development and assistance			87,000	87,000
Debt service			14,236	14,236
Unassigned	1,326,753		(247,579)	1,079,174
Total Fund Balances	1,405,704	553,916	1,760,711	3,720,331
Total Liabilities and Fund Balances	\$ 7,309,146	2,704,220	6,054,751	16,068,117

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

COPIAH COUNTY, MISSISSIPPI  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2012

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,720,331
Amounts reported for governmental services 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 \$83,585,635.	55,079,760
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	520,622
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(9,149,453)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(29,556)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	661,232
Bond issue cost is deferred in the Statement of Net Assets and is amortized over the term of the bond.	<u>72,276</u>
Total Net Assets - Governmental Activities	\$ <u><u>50,875,212</u></u>

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

COPIAH COUNTY, MISSISSIPPI  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2012

Exhibit 4

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 4,525,785	1,545,113	2,050,732	8,121,630
Road and bridge privilege taxes		354,395		354,395
Licenses, commissions and other revenue	282,116		25,470	307,586
Fines and forfeitures	351,078		19,411	370,489
Intergovernmental revenues	614,420	955,474	2,466,766	4,036,660
Charges for services	304,106		1,448,536	1,752,642
Interest income	8,530		23,998	32,528
Miscellaneous revenues	253,179	57,733	13,977	324,889
Total Revenues	<u>6,339,214</u>	<u>2,912,715</u>	<u>6,048,890</u>	<u>15,300,819</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,033,074		291,366	3,324,440
Public safety	2,714,703		681,533	3,396,236
Public works	388,119	2,610,187	3,539,541	6,537,847
Health and welfare	323,848			323,848
Culture and recreation	157,381		14,033	171,414
Education	64,178			64,178
Conservation of natural resources	84,850			84,850
Economic development and assistance	139,279		536,576	675,855
Debt service:				
Principal	22,036	596,368	503,337	1,121,741
Interest	1,973	66,590	309,869	378,432
Total Expenditures	<u>6,929,441</u>	<u>3,273,145</u>	<u>5,876,255</u>	<u>16,078,841</u>
Excess of Revenues over (under) Expenditures	<u>(590,227)</u>	<u>(360,430)</u>	<u>172,635</u>	<u>(778,022)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	57,393	386,462		443,855
Proceeds from sale of capital assets	6,576	5,451		12,027
Lease principal payments			69,938	69,938
Total Other Financing Sources and Uses	<u>63,969</u>	<u>391,913</u>	<u>69,938</u>	<u>525,820</u>
Net Changes in Fund Balances	(526,258)	31,483	242,573	(252,202)
Fund Balances - Beginning	<u>1,931,962</u>	<u>522,433</u>	<u>1,518,138</u>	<u>3,972,533</u>
Fund Balances - Ending	\$ <u>1,405,704</u>	<u>553,916</u>	<u>1,760,711</u>	<u>3,720,331</u>

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

COPIAH COUNTY, MISSISSIPPI  
 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

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (252,202)
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 \$1,915,876 exceeded depreciation of \$1,519,950 in the current period.	395,926
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$40,808 plus the proceeds from the sale of \$12,027 in the current period.	(52,835)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(387)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	49,660
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 of debt repayment of \$1,121,741 exceeded debt proceeds of \$443,855.	677,886
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(69,938)
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:	
The amount of decrease in compensated absences	5,824
The amount of decrease in accrued interest payable	9,766
The amortization of:	
Issuance cost on refunding bonds	(6,487)
Refunding bonds deferred charges	(8,573)
Discounts on refunding bonds	(2,718)
Change in Net Assets of Governmental Activities	\$ <u>745,922</u>

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

COPIAH COUNTY, MISSISSIPPI  
Statement of Fiduciary Assets and Liabilities  
September 30, 2012

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 469,866
Due from other funds	47,445
Total Assets	\$ <u><u>517,311</u></u>
<b>LIABILITIES</b>	
Intergovernmental payables	\$ 198,914
Amounts held in custody for others	318,397
Total Liabilities	\$ <u><u>517,311</u></u>

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

**Copiah County, Mississippi**

Notes to the Financial Statements  
for the year ended September 30, 2012

# COPIAH COUNTY, MISSISSIPPI

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

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

#### A. Financial Reporting Entity.

Copiah 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 Copiah 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.

- Copiah County Economic Development District
- Hardy Wilson Memorial Hospital
- Copiah-Jefferson Regional Library

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
- Tax Collector
- Sheriff

#### B. 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.

The Statement of Net Assets presents the financial condition of the governmental 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. 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 governmental function is self-financing or draws from the general revenues of the county.

COPIAH COUNTY, MISSISSIPPI

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

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 and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide 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.

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

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.

COPIAH COUNTY, MISSISSIPPI

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.

D. 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.

E. 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.

F. Receivables.

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

G. 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 non-spendable 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.

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

COPIAH COUNTY, MISSISSIPPI

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

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. 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.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

COPIAH COUNTY, MISSISSIPPI

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

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.

Governmental 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.

K. 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.

COPIAH COUNTY, MISSISSIPPI

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.

L. 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.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulates 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 accumulates unpaid employee benefits as long-term liabilities in the government-wide 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 \$5,158,200, and the bank balance was \$5,272,930. 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 Depository 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.

COPIAH COUNTY, MISSISSIPPI

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

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 152,199
Countywide Road Maintenance Fund	General Fund	103,978
Other Governmental Funds	General Fund	115,714
Agency Funds	General Fund	<u>47,445</u>
Total		\$ <u><u>419,336</u></u>

The receivables represent the tax revenue collected but not settled until October, 2012 and to cover deficits in the Airport Project #3-28-0023-0203GRT Fund, E-911 Service Fund and the Refunding General Obligation 2010 Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 78,951
Countywide Road Maintenance Fund	Other Governmental Funds	169,912
Other Governmental Funds	General Fund	<u>17,500</u>
Total		\$ <u><u>266,363</u></u>

The purpose of the advances was to cover a deficit in the Road and Bridge Series Fund 2007 and revenues recorded incorrectly. The amount was not paid within one year.

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 113,899
Airport grant	<u>286,888</u>
Total Governmental Activities	\$ <u><u>400,787</u></u>

COPIAH COUNTY, MISSISSIPPI

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
Non-depreciable capital assets:					
Land	\$ 1,182,355	282,378			1,464,733
Construction in progress	172,615	45,684			218,299
Total non-depreciable capital assets	<u>1,354,970</u>	<u>328,062</u>	<u>0</u>	<u>0</u>	<u>1,683,032</u>
Depreciable capital assets:					
Infrastructure	113,447,535	1,102,414			114,549,949
Buildings	9,883,554				9,883,554
Improvements other than buildings	2,626,478	81,994			2,708,472
Mobile equipment	5,627,122	82,869	263,056	157,460	5,604,395
Furniture and equipment	1,318,488	43,842	5,309	140,162	1,497,183
Leased property under capital leases	2,823,039	276,695	63,302	(297,622)	2,738,810
Total depreciable capital assets	<u>135,726,216</u>	<u>1,587,814</u>	<u>331,667</u>	<u>0</u>	<u>136,982,363</u>
Less accumulated depreciation for:					
Infrastructure	70,939,106	534,756			71,473,862
Buildings	4,561,665	167,740			4,729,405
Improvements other than buildings	481,800	71,413			553,213
Mobile equipment	4,348,346	381,757	228,473	94,924	4,596,554
Furniture and equipment	869,625	120,874	4,779	138,760	1,124,480
Leased property under capital leases	1,143,975	243,410	45,580	(233,684)	1,108,121
Total accumulated depreciation	<u>82,344,517</u>	<u>1,519,950</u>	<u>278,832</u>	<u>0</u>	<u>83,585,635</u>
Total depreciable capital assets, net	<u>53,381,699</u>	<u>67,864</u>	<u>52,835</u>	<u>0</u>	<u>53,396,728</u>
Governmental activities capital assets, net	<u>\$ 54,736,669</u>	<u>395,926</u>	<u>52,835</u>	<u>0</u>	<u>55,079,760</u>

Adjustments are to reclassify between classifications.

COPIAH COUNTY, MISSISSIPPI

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 66,166
Public safety	447,897
Public works	956,223
Health and welfare	<u>49,664</u>
 Total governmental activities depreciation expense	 \$ <u><u>1,519,950</u></u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
General population shelter	\$ 2,981,700	08/2013

(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) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2012:

<u>Classes of Property</u>	<u>Amount</u>
Industrial buildings	\$ <u><u>1,267,148</u></u>

COPIAH COUNTY, MISSISSIPPI

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2012, are as follows:

Year Ending September 30	Principal	Interest
2013	\$ 86,401	7,535
2014	89,479	4,457
2015	57,134	2,355
2016	45,362	2,638
2017	45,913	2,087
2018 - 2022	233,130	6,870
2023 - 2027	104,760	195
<b>Total</b>	<b>\$ 662,179</b>	<b>26,137</b>

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 2,738,810
Less: Accumulated depreciation	<u>1,108,121</u>
Lease Property Under Capital Leases	<u>\$ 1,630,689</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 398,258	51,008
2014	543,015	38,626
2015	853,388	7,177
2016	<u>54,201</u>	<u>1,057</u>
<b>Total</b>	<b>\$ 1,848,862</b>	<b>97,868</b>

COPIAH COUNTY, MISSISSIPPI

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

(8) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge bonds - Series 2007	\$ 4,975,000	4.00/5.50%	03/2027
GO Refunding Bonds - Series 2010	<u>1,695,000</u>	2.00/4.75%	07/2021
Total General Obligation Bonds	<u>\$ 6,670,000</u>		
B. Capital Leases:			
2010 Dodge Charger (3)	\$ 46,007	2.90%	12/2013
John Deere backhoes (2)	91,700	3.34%	07/2014
Motorgraders (3)	436,526	3.11%	10/2014
Wheel loaders (4)	362,366	3.11%	10/2014
Track-type tractors (2)	114,478	3.11%	10/2014
John Deere backhoes (2)	91,701	3.34%	07/2014
Kubota M1085DSC tractors (5)	262,229	3.39%	08/2015
Three sheriff cars	57,393	1.90%	02/2015
Dump trucks (4)	175,800	2.65%	04/2015
Chevrolet trucks (2) & Ford trucks (5)	<u>210,662</u>	1.95%	09/2016
Total Capital Leases	<u>\$ 1,848,862</u>		
C. Other Loans:			
Sugar Farm Road CAP loan	\$ 138,960	3.00%	01/2021
Fire truck CAP loan	52,764	3.00%	05/2015
DG Foods CAP loan	131,878	3.00%	12/2014
2 fire trucks CAP loan	<u>196,712</u>	2.00%	10/2017
Total Other Loans	<u>\$ 520,314</u>		

COPIAH COUNTY, MISSISSIPPI

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

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 405,000	264,134	129,502	11,889
2014	410,000	249,098	133,054	8,045
2015	430,000	233,435	83,814	5,941
2016	450,000	217,736	56,423	3,859
2017	475,000	200,335	57,730	2,551
2018 - 2022	2,450,000	689,549	59,791	2,906
2023 - 2027	2,050,000	220,725		
Total	\$ <u>6,670,000</u>	<u>2,075,012</u>	<u>520,314</u>	<u>35,191</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 3.25% of the latest property assessments.

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

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2012</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
Compensated absences	\$ 217,722		5,824		211,898	
General obligation bonds	7,060,000		390,000		6,670,000	405,000
Capital leases	2,020,767	443,855	615,760		1,848,862	398,258
Other loans	636,295		115,981		520,314	129,502
Less:						
Deferred amounts on refunding	(85,730)		(8,573)		(77,157)	
Discounts	(27,182)		(2,718)		(24,464)	
Total	\$ <u>9,821,872</u>	<u>443,855</u>	<u>1,116,274</u>	<u>0</u>	<u>9,149,453</u>	<u>932,760</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid which is generally the General Fund, Sanitation Fund, Co-Wide Road Maintenance Fund and Co-Wide Bridge and Culvert Fund.

COPIAH COUNTY, MISSISSIPPI

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

(9) Deficit Fund Balances of Individual Funds.

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

Fund	Deficit Amount
Airport Proj #3-28-0023-0203GRT Fund	\$ 33,506
EDA/Industrial Improvements Fund	57,393
2011 Housing Grant Fund	395
E-911 Service Fund	68,141
2007 General Obligation Road/Bridge Bonds Fund	7,175
Refunding Gen Obligation 2010 Fund	80,969

(10) 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.

(11) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Copiah County Board of Supervisors appoints three of the 33 members of the board of directors. The county contributes a small percentage of the district's total revenue.

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Copiah County Board of Supervisors appoints six of the 27 members of the college board of trustees. The county appropriated \$750,575 for maintenance and support of the college in fiscal year 2012.

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Copiah County Board of Supervisors appoints one of the 15 members of the college board of trustees. The county appropriated \$142,138 for maintenance and support of the college in fiscal year 2012.

Region Eight Mental Health Commission operates in a district composed of the Counties of Copiah, Madison, Rankin and Simpson. The Copiah County Board of Supervisors appoints one member of the board of commissioners. The county appropriated \$65,140 for support of the commission 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 Copiah County Board of Supervisors appoints two of the 26 members of the board. The county provides only modest financial support for the district.

COPIAH COUNTY, MISSISSIPPI

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

(12) Defined Benefit Pension Plan.

Plan Description. Copiah 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 was 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 \$509,394, \$469,114 and \$453,001 respectively, equal to the required contributions for each year.

(13) 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 Copiah County evaluated the activity of the county through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

On November 29, 2012, Copiah County entered into a grant anticipation note (revolving line of credit) with Trustmark National Bank in a maximum principal amount outstanding at any one time equal to \$1,000,000. The note is subject to redemption prior to its stated date of maturity, in whole or in part, at any time. The entire remaining outstanding principal balance together with all accrued and unpaid interest, if not sooner paid, is due and payable in full on December 1, 2014; provided, however the note may be extended and/or renewed for one year upon mutual agreement of Copiah County and Trustmark National Bank. Interest is computed and accrued at the rate of 1.39% per annum. This note is interim financing in anticipation of receipt of proceeds from one or more confirmed Federal Emergency Management Agency (FEMA) and Federal Aviation Administration grants to defray the cost of providing funds for the construction of FEMA Shelter 361 and improvements to the Copiah County Airport. At December 13, 2012, Copiah County had no outstanding debt related to this grant anticipation note.

REQUIRED SUPPLEMENTARY INFORMATION

COPIAH COUNTY, MISSISSIPPI  
 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	\$ 4,746,765	4,519,624	4,519,624	0
Licenses, commissions and other revenue	288,700	280,291	280,291	0
Fines and forfeitures	361,000	346,463	346,463	0
Intergovernmental revenues	397,801	568,696	568,696	0
Charges for services	450,000	295,857	295,857	0
Interest income	11,000	8,546	8,546	0
Miscellaneous revenues	87,000	162,895	162,895	0
Total Revenues	<u>6,342,266</u>	<u>6,182,372</u>	<u>6,182,372</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,230,519	3,056,580	3,056,580	0
Public safety	2,742,464	2,725,944	2,725,944	0
Public works	216,300	388,442	388,442	0
Health and welfare	331,864	325,252	325,252	0
Culture and recreation	128,333	157,550	157,550	0
Conservation of natural resources	84,448	86,705	86,705	0
Economic development and assistance	140,279	139,279	139,279	0
Debt service:				
Principal		22,036	22,036	0
Interest		1,973	1,973	0
Total Expenditures	<u>6,874,207</u>	<u>6,903,761</u>	<u>6,903,761</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(531,941)</u>	<u>(721,389)</u>	<u>(721,389)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		140,611	140,611	0
Total Other Financing Sources and Uses	<u>0</u>	<u>140,611</u>	<u>140,611</u>	<u>0</u>
Net Change in Fund Balance	(531,941)	(580,778)	(580,778)	0
Fund Balances - Beginning	1,968,353	1,683,284	1,683,284	0
Fund Balances - Ending	<u>\$ 1,436,412</u>	<u>1,102,506</u>	<u>1,102,506</u>	<u>0</u>

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

COPIAH COUNTY, MISSISSIPPI  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance 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	\$ 1,798,139	1,535,535	1,535,535	0
Road and bridge privilege taxes	350,000	358,044	358,044	0
Intergovernmental revenues	945,500	955,474	955,474	0
Interest income	3,000			0
Miscellaneous revenues		57,732	57,732	0
Total Revenues	<u>3,096,639</u>	<u>2,906,785</u>	<u>2,906,785</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,021,628	2,622,177	2,622,177	0
Debt service:				
Principal	429,793	380,454	380,454	0
Interest		63,658	63,658	0
Total Expenditures	<u>3,451,421</u>	<u>3,066,289</u>	<u>3,066,289</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(354,782)</u>	<u>(159,504)</u>	<u>(159,504)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		216,113	216,113	0
Total Other Financing Sources and Uses	<u>0</u>	<u>216,113</u>	<u>216,113</u>	<u>0</u>
Net Change in Fund Balance	(354,782)	56,609	56,609	0
Fund Balances - Beginning	442,743	395,768	395,768	0
Fund Balances - Ending	<u>\$ 87,961</u>	<u>452,377</u>	<u>452,377</u>	<u>0</u>

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

## Copiah County, Mississippi

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).

## Copiah County, Mississippi

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2012

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Budget (Cash Basis)	\$ (580,778)	56,609
Increase (Decrease)		
Net adjustments for revenue accruals	16,022	5,930
Net adjustments for expenditure accruals	38,498	(31,056)
GAAP Basis	<u>\$ (526,258)</u>	<u>31,483</u>

## SUPPLEMENTAL INFORMATION

COPIAH COUNTY, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
US Dept of Agriculture - Office of Agricultural Marketing Service Farmers' Market Promotion Program (Direct Award)	10.168	12-25-G-1370	\$ 25,798
US Dept of Agriculture/Passed-through the Mississippi State Treasurer's Office - Federal Forest Service School and roads-grants to states	10.665	N/A	128,357
US Dept of Commerce - Economic Development Administration Economic Adjustment Assistance (ARRA) (Direct Award)	11.307	04-79-73005	30,601
US Dept of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's programs	14.228	1126-09-015-ED-01	2,500
US Dept of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnership program*	14.239	N/A	446,862
US Dept of Transportation - Federal Aviation Administration Airport improvement program (Direct Award)*	20.106	3-28-0023-005-2007	572,552
US Dept of Transportation - Federal Highway Administration/ Passed- through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	66,456
US Dept of Homeland Security/Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	HMGP 1709	186,094
US Dept of Homeland Security/Passed-through the Mississippi Emergency Management Agency Emergency management performance grant	97.042	N/A	27,195
US Dept of Homeland Security/Passed-through the Mississippi Dept of Public Safety Homeland security preparedness technical assistance program	97.067	08MM015	12,010
Homeland security preparedness technical assistance program	97.067	10MM015	<u>5,541</u>
Total Expenditures of Federal Awards			\$ <u><u>1,503,966</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

\* Denotes major program

## OTHER INFORMATION

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Earl Dixon, Jr.	Supervisor District 1	Brierfield Insurance Company	\$100,000
Terry L. Channell	Supervisor District 2	Brierfield Insurance Company	\$100,000
Perry V. Hood	Supervisor District 3	Brierfield Insurance Company	\$100,000
Kenneth Powell	Supervisor District 4	Brierfield Insurance Company	\$100,000
Jimmy L Phillips	Supervisor District 5	Brierfield Insurance Company	\$100,000
Ronnie Barlow	County Administrator	Brierfield Insurance Company	\$100,000
Steve Amos	Chancery Clerk	Brierfield Insurance Company	\$100,000
Brandie Sims	Purchase Clerk	Brierfield Insurance Company	\$75,000
Sandra Sullivan	Assisstant Purchase Clerk	Brierfield Insurance Company	\$50,000
Mary J. Harris	Receiving Clerk	Brierfield Insurance Company	\$75,000
Ronnie Barlow	Assisstant Receiving Clerk	Brierfield Insurance Company	\$50,000
Joa Williams	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
Booky Thompson	Road Manager	Brierfield Insurance Company	\$75,000
Jimmy Dale White	Constable	Brierfield Insurance Company	\$50,000
Ronnie Earls	Constable	Brierfield Insurance Company	\$50,000
Edna E. Stevens	Circuit Clerk	Brierfield Insurance Company	\$100,000
Harold L. Jones	Sheriff	Brierfield Insurance Company	\$100,000
Derrick L Cubit	Undersheriff	Brierfield Insurance Company	\$50,000
Tony J. Hemphill	Chief Deputy Sheriff	Brierfield Insurance Company	\$50,000
Lillie McKenzie	Justice Court Judge	Brierfield Insurance Company	\$50,000
Vickie Bass Ramsey	Justice Court Judge	Brierfield Insurance Company	\$50,000
Mona Lisa Carr	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Vicky Lavell Smith	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Tara Midleton	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
April S. Holloway	Tax Collector	Brierfield Insurance Company	\$100,000
James Todd Mooney	Tax Assessor	Brierfield Insurance Company	\$50,000

## SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Copiah County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Copiah 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 July 15, 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 Copiah County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding 2012-1]

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Copiah 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter that we reported to the management of Copiah County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 15, 2013, included within this document.

Copiah County's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Copiah County's response and, accordingly, we express no opinion on it.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard PC  
July 15, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Copiah County, Mississippi

**Compliance**

We have audited the compliance of Copiah County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. Copiah County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Copiah County, Mississippi's management. Our responsibility is to express an opinion on Copiah County, Mississippi's compliance based on our audit.

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

In our opinion, Copiah County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

**Internal Control Over Compliance**

The management of Copiah County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
July 15, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Copiah County, Mississippi

We have examined Copiah 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 Copiah 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 Copiah 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, Copiah 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.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

This report is intended for use in evaluating the central purchasing system and inventory control system of Copiah 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
July 15, 2013

Certified Public Accountants

**Copiah County, Mississippi**

**Schedule 1**

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2012

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

**Copiah County, Mississippi**  
**Schedule 2**  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2012

Our test results did not identify any emergency purchases.

**Copiah County, Mississippi**

**Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2012

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Copiah County, Mississippi

In planning and performing our audit of the financial statements of Copiah County, Mississippi for the year ended September 30, 2012, we considered Copiah 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 Copiah 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 July 15, 2013, on the financial statements of Copiah 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 transaction for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified a certain area that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Board of Supervisors.

1. Finding

An effective system of internal control over processed transactions should include a written disaster recovery plan for the computer system. The County does not have a written disaster plan. Lack of a disaster plan with guidelines or procedures to follow in case of a disaster will not allow the County to process transactions.

Recommendation:

The Board of Supervisors should establish a written disaster recovery plan. The plan should be tested periodically by having a disaster recovery walk-through in which recovery team members get together and simulate a disastrous situation but also recovery techniques.

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Response:

The Board of Supervisors will establish a disaster recovery plan.

Copiah 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
July 15, 2013

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Copiah County, Mississippi

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

#### Section I: Summary of Auditor's Results

##### **Financial Statements:**

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

Governmental Activities	<b>Unqualified</b>
Discretely Presented Component Units	<b>Adverse</b>
General Fund	<b>Unqualified</b>
Countywide Road & Maintenance Fund	<b>Unqualified</b>
Aggregate remaining fund information	<b>Unqualified</b>

2. Internal control over financial reporting:

- a. Material weaknesses identified? **Yes**  
b. Significant deficiencies identified that are not considered to be material weaknesses? **None reported**

3. Noncompliance material to the financial statements noted? **No**

##### **Federal Awards:**

4. Internal control over major programs:

- a. Material weaknesses identified? **No**  
b. Significant deficiencies identified that are not considered to be material weaknesses? **None reported**

5. Type of auditor's report issued on compliance for major federal programs: **Unqualified**

6. Any audit finding(s) disclosed that are required to be reported in accordance with Section \_\_.510(a) of OMB Circular A-133? **No**

7. Major Federal Programs identified:

- a. HOME Investment Partnership Program  
CFDA 14.239  
b. Airport Improvement Program  
CFDA 20.106

8. The dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? **No**

10. Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_510(a) of OMB Circular A-133? **No**

### Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to financial statements that is required to be reported by *Government Auditing Standards*.

Board of Supervisors.

#### **Finding 2012-1**

##### **Material Weakness**

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. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

##### **Recommendation:**

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

### Section III: Federal Awards Findings and Questioned Costs

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

**Copiah County, Mississippi**  
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Hazlehurst, MS 39083  
601-894-3021, Fax 601-894-4081  
[www.Copiahcounty.org](http://www.Copiahcounty.org)

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_\_\_315(b) of OMB Circular A-133, the Copiah County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2012:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2012-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Ronnie Barlow Phone Number: 601-894-1858</p> <p>b. Corrective Action Planned:</p> <p>The Board of Supervisors agree with the finding and will do its best to provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.</p> <p>c. Anticipated Completion Date:</p> <p>09-30-13</p>