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**NESHOBA COUNTY, MISSISSIPPI**  
**AUDITED PRIMARY GOVERNMENT FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

# NESHOPA COUNTY

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**NESHOBA COUNTY**

**FINANCIAL SECTION**



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INDEPENDENT AUDITOR'S REPORT ON  
THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Neshoba County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Neshoba County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Neshoba County, Mississippi, as of September 30, 2004, and the respective changes in the 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 October 5, 2005, on our consideration of Neshoba County, Mississippi's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

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

The Budgetary Comparison Schedule and corresponding notes on pages 31 through 34 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Neshoba County, Mississippi's basic financial statements.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
October 5, 2005

**NESHOBA COUNTY**

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**



**Neshoba County**  
**Statement of Net Assets**  
**September 30, 2004**

**Exhibit 1**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 2,391,980	28,417	2,420,397
Property tax receivable	6,060,863		6,060,863
Fines receivable, net	306,418		306,418
Intergovernmental receivables	380,655	13,937	394,592
Accounts receivable, net		63,519	63,519
Other receivables, net	5,106		5,106
Internal balances	125,919	(125,919)	-
Capital assets, net	16,112,307	153,081	16,265,388
<b>Total Assets</b>	<b>25,383,248</b>	<b>133,035</b>	<b>25,516,283</b>
<b>LIABILITIES</b>			
Claims payable	1,055,839	17,922	1,073,761
Retainage payable			
Intergovernmental payables	179,932		179,932
Accrued interest payable	113,905		113,905
Deferred revenue	6,060,863		6,060,863
Other payables	39,975		39,975
Long-term liabilities			
Due within one year:			
Capital related debt	545,110	36,320	581,430
Non-capital debt	396,300		396,300
Due in more than one year:			
Capital related debt	6,274,297		6,274,297
Non-capital debt	3,190,438		3,190,438
<b>Total Liabilities</b>	<b>17,856,659</b>	<b>54,242</b>	<b>17,910,901</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,292,900	116,761	9,409,661
Restricted net assets:			
Expendable:			
Debt service	304,463		304,463
Public works	(322,690)		(322,690)
Capital projects	18,724		18,724
Other Purposes	826,113		826,113
Unrestricted (Deficit)	(2,592,921)	(37,968)	(2,630,889)
<b>Total Net Assets</b>	<b>\$ 7,526,589</b>	<b>78,793</b>	<b>7,605,382</b>

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

**Neshoba County**  
**Statement of Activities**  
**For the Year Ended September 30, 2004**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Assets			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 2,446,941	393,374	20,483		(2,033,084)		(2,033,084)
Public safety	1,474,555	504,576	1,012,733	268,863	311,617		311,617
Public works	4,349,169		203,423	832,195	(3,313,551)		(3,313,551)
Health and welfare	341,197		26,569	11,670	(302,958)		(302,958)
Culture and recreation	787,744	65,189			(722,555)		(722,555)
Conservation of natural resources	76,826				(76,826)		(76,826)
Economic development and assistance	199,960			396,705	196,745		196,745
Interest on long-term debt	450,733				(450,733)		(450,733)
Other Debt	3,768				(3,768)		(3,768)
Total Governmental Activities	10,130,893	963,139	1,263,208	1,509,433	(6,395,113)		(6,395,113)
Business-type activities:							
Solid Waste	335,479	239,870		49,913		(45,696)	(45,696)
Total Business-type Activities	335,479	239,870		49,913		(45,696)	(45,696)
Total Primary Government	\$ 10,466,372	1,203,009	1,263,208	1,559,346	(6,395,113)	(45,696)	(6,440,809)
General revenues:							
Taxes:							
Property taxes					\$ 5,665,386		5,665,386
Road & bridge privilege taxes					292,880		292,880
Grants & contributions not restricted to specific programs					628,751		628,751
Unrestricted gifts and donations					140,000	298	140,298
Unrestricted investment income					33,594		33,594
Miscellaneous					82,540		82,540
Total General Revenues and Transfers					6,843,151	298	6,843,449
Changes in Net Assets					448,038	(45,398)	402,640
Net Assets - Beginning (taken from trans-conv)					7,038,551	124,191	7,162,742
Cumulative effect of GASB Statement 34 adjustments					40,000		40,000
Net Assets - Beginning restated					7,078,551	124,191	7,202,742
Net Assets - Ending					\$ 7,526,589	78,793	7,605,382

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

**Neshoba County**  
**Balance Sheet - Governmental Funds**  
**September 30, 2004**

**Exhibit 3**

	<b>Major Funds</b>				
	<b>General Fund</b>	<b>County Unit Road Fund</b>	<b>Countywide Bridge &amp; Culvert Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 981,276	157,138	3,309	1,250,257	2,391,980
Property tax receivable	3,551,073	391,952	1,087,060	1,030,778	6,060,863
Fines receivable	306,418				306,418
Intergovernmental receivables	138,234	41,904		200,517	380,655
Other receivables	5,106				5,106
Due from other funds	24,776	38,848	27,147	34,572	125,343
Advances to other funds	47,010	54,133			101,143
Total Assets	<u>\$ 5,053,893</u>	<u>683,975</u>	<u>1,117,516</u>	<u>2,516,124</u>	<u>9,371,508</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 188,529	621,176	23,993	222,141	1,055,839
Intergovernmental payables	179,932				179,932
Due to other funds	100,567				100,567
Deferred revenue	3,857,491	391,952	1,087,060	1,030,778	6,367,281
Other payables	39,975				39,975
Total Liabilities	<u>4,366,494</u>	<u>1,013,128</u>	<u>1,111,053</u>	<u>1,252,919</u>	<u>7,743,594</u>
Fund balances:					
Reserved for:					
Advances	47,010	54,133			101,143
Debt service funds				418,368	418,368
Unreserved, reported in:					-
General fund	640,389				640,389
Special revenue funds		(383,286)	6,463	826,113	449,290
Capital projects funds				18,724	18,724
Total Fund Balances	<u>687,399</u>	<u>(329,153)</u>	<u>6,463</u>	<u>1,263,205</u>	<u>1,627,914</u>
Total Liabilities and Fund Balances	<u>5,053,893</u>	<u>683,975</u>	<u>1,117,516</u>	<u>2,516,124</u>	<u>9,371,508</u>

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

**Neshoba County**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**September 30, 2004**

**Exhibit 3-1**

		<u><b>Amount</b></u>
Total fund balance - governmental funds (Exhibit 3)		\$ 1,627,914
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:		
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds		16,112,307
Capital assets net of depreciation as of 10-1-03 as restated	13,495,954	
Plus capital outlay expenditures made during the year	3,523,647	
Less depreciation expense recorded during the year	(898,359)	
Less book value of capital assets sold during the year	<u>(8,935)</u>	
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		306,418
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.		(10,520,050)
Long-term liabilities	(10,406,145)	
Accrued interest on bonds	<u>(113,905)</u>	
Total net assets - governmental activities (Exhibit 1)		\$ <u><u>7,526,589</u></u>

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

**Neshoba County**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2004**

**Exhibit 4**

	<b>Major Funds</b>				
	<b>General Fund</b>	<b>County Unit Road Fund</b>	<b>Countywide Bridge &amp; Culvert Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 2,874,530	398,810	1,067,193	1,324,853	5,665,386
Road and bridge privilege taxes	4,759	292,880			297,639
Licenses, commissions and other revenue	208,192			1,997	210,189
Fines and forfeitures	360,259				360,259
Intergovernmental revenues	1,244,230	670,358		1,626,805	3,541,393
Charges for services	213,339			299,157	512,496
Interest income	13,207	1,526	980	17,882	33,595
Miscellaneous revenues	52,906	10,365		28,203	91,474
Total Revenues	<u>4,971,422</u>	<u>1,373,939</u>	<u>1,068,173</u>	<u>3,298,897</u>	<u>10,712,431</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,644,404			531,428	3,175,832
Public safety	1,524,190			1,043,078	2,567,268
Public works		2,203,721	1,153,199	839,551	4,196,471
Health and welfare	305,938			35,259	341,197
Culture and recreation	547,693			105,516	653,209
Conservation of natural resources	76,826				76,826
Economic development and assistance	65,125			1,214,846	1,279,971
Debt service:					
Principal	121,333	11,766	67,074	968,944	1,169,117
Interest	10,649	121	2,096	442,412	455,278
Other				3,768	3,768
Total Expenditures	<u>5,296,158</u>	<u>2,215,608</u>	<u>1,222,369</u>	<u>5,184,802</u>	<u>13,918,937</u>
Excess of Revenues over (under) Expenditures	<u>(324,736)</u>	<u>(841,669)</u>	<u>(154,196)</u>	<u>(1,885,905)</u>	<u>(3,206,506)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	97,443	71,632		953,106	1,122,181
Transfers in				57,185	57,185
Transfers out				(57,185)	(57,185)
Total Other Financing Sources and Uses	<u>97,443</u>	<u>71,632</u>	<u>-</u>	<u>953,106</u>	<u>1,122,181</u>
Net Changes in Fund Balances	<u>(227,293)</u>	<u>(770,037)</u>	<u>(154,196)</u>	<u>(932,799)</u>	<u>(2,084,325)</u>
Fund Balance - Beginning	<u>914,692</u>	<u>440,884</u>	<u>160,659</u>	<u>2,196,004</u>	<u>3,712,239</u>
Fund Balances - Ending	<u>\$ 687,399</u>	<u>(329,153)</u>	<u>6,463</u>	<u>1,263,205</u>	<u>1,627,914</u>

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

**Neshoba County**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2004**

**Exhibit 4-1**

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (2,084,325)

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 \$3,523,647 exceeded depreciation \$(898,359) in the current period.

2,625,288

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 and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain (loss) of \$(8,935) and the proceeds from the sale of \$0 in the current period.

(8,935)

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.

(124,563)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$1,169,117 exceeded debt proceeds \$1,122,181.

46,936

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

Compensated absences

(10,908)

Accrued interest to bonds

4,545

(6,363)

Change in net assets of governmental activities (Exhibit 2)

\$ 448,038

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

**Neshoba County**  
**Statement of Net Assets - Proprietary Fund**  
**September 30, 2004**

**Exhibit 5**

	<u>Business-type Activities-Enterprise Fund(s)</u>	
	<u>Major Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 28,417	28,417
Intergovernmental receivables	13,937	13,937
Accounts receivable, net	63,519	63,519
Total Current Assets	<u>105,873</u>	<u>105,873</u>
Noncurrent assets:		
Capital assets, net	153,081	153,081
Total Noncurrent Assets	<u>153,081</u>	<u>153,081</u>
Total Assets	<u>258,954</u>	<u>258,954</u>
<b>LIABILITIES</b>		
Current liabilities:		
Claims payable	17,922	17,922
Due to other funds	24,776	24,776
Advances from other funds	101,143	101,143
Current portions of long-term capital related debt:		
Capital leases payable	36,320	36,320
Total Current Liabilities	<u>180,161</u>	<u>180,161</u>
Noncurrent liabilities:		
Capital-related debt:		
Capital leases payable	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	116,761	116,761
Unrestricted (deficit)	(37,968)	(37,968)
Total Net Assets	<u>\$ 78,793</u>	<u>78,793</u>

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

**Neshoba County****Exhibit 6****Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
September 30, 2004**

	<b>Business-type Activities-Enterprise Fund(s)</b>	
	<b>Enterprise Fund Solid Waste</b>	<b>Totals</b>
Operating Revenues		
Charges for services	\$ 237,533	237,533
Miscellaneous	2,337	2,337
Total Operating Revenues	<u>239,870</u>	<u>239,870</u>
Operating Expenses		
Personal services	64,083	64,083
Contractual services	155,666	155,666
Materials and supplies	17,686	17,686
Depreciation expense	32,682	32,682
Indirect administrative cost	24,776	24,776
Bad debt expense	37,111	37,111
Total Operating Expenses	<u>332,004</u>	<u>332,004</u>
Operating Income (Loss)	<u>(92,134)</u>	<u>(92,134)</u>
Nonoperating Revenues (Expenses)		
Interest income	298	298
Operating grants	49,913	49,913
Interest expense	(3,475)	(3,475)
Net Nonoperating Revenue (Expenses)	<u>46,736</u>	<u>46,736</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>(45,398)</u>	<u>(45,398)</u>
Changes in Net Assets	<u>(45,398)</u>	<u>(45,398)</u>
Net Assets - Beginning	<u>124,191</u>	<u>124,191</u>
Net Assets - Ending	<u>\$ 78,793</u>	<u>78,793</u>

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



**Neshoba County**  
**Statement of Net Assets - Proprietary Fund**  
**September 30, 2004**

**Exhibit 7**

	<b>Business-type Activities-Enterprise Fund(s)</b>	
	<b>Enterprise Fund Solid Waste</b>	<b>Totals</b>
Cash Flows From Operating Activities		
Receipts from customers	\$ 265,193	265,193
Payments to suppliers	(180,637)	(180,637)
Payments to employees	(64,083)	(64,083)
Other operating cash receipts	2,337	2,337
Net Cash Provided (Used) by Operating Activities	<u>22,810</u>	<u>22,810</u>
Cash Flows From Noncapital Financing Activities		
Operating grants received	35,976	35,976
Net Cash Provided (Used) by Noncapital Financing Activities	<u>35,976</u>	<u>35,976</u>
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(46,100)	(46,100)
Interest paid on debt	(3,475)	(3,475)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(49,575)</u>	<u>(49,575)</u>
Cash Flows From Investing Activities		
Interest and dividends on investments	298	298
Net Cash Provided (Used) by Investing Activities	<u>298</u>	<u>298</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,509	9,509
Cash and Cash Equivalents at Beginning of Year	18,908	18,908
Cash and Cash Equivalents at End of Year	<u>\$ 28,417</u>	<u>28,417</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (92,134)	(92,134)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	32,682	32,682
Provision for uncollectible accounts	37,111	37,111
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	27,660	27,660
Increase (decrease) in claims payable	16,606	16,606
Increase (decrease) in interfund payables	885	885
Total Adjustments	<u>114,944</u>	<u>114,944</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 22,810</u>	<u>22,810</u>

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

**Neshoba County**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2004**

**Exhibit 8**

	<b><u>Agency Funds</u></b>
ASSETS	
Cash and investments	\$ 56,537
Intergovernmental receivables	11,443
Total Assets	<u>\$ 67,980</u>
LIABILITIES	
Intergovernmental payables	\$ 34,443
Other payables	33,537
Total Liabilities	<u>\$ 67,980</u>

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

**NESHOPA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Neshoba County Public Library
- Neshoba County General Hospital and Nursing Home
- Neshoba County Industrial Development Authority
- Linwood Volunteer Fire District
- House Volunteer Fire District
- County Line Volunteer Fire District
- Dixon Volunteer Fire District
- Tucker Volunteer Fire District
- Fairview Volunteer Fire District
- Hope Volunteer Fire District
- Northbend Volunteer Fire District
- East Neshoba Volunteer Fire District
- Longino Volunteer Fire District
- Arlington Volunteer Fire District

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

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

B. Individual Component Unit Disclosures.

Blended Component Unit

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

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

The Neshoba County Public Improvement Corporation is governed by a three-member board of directors appointed by the County Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct a jail for Neshoba County prisoners. The corporation did not have any activity for the year ended September 30, 2004.

**C. Basis of Presentation**

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, 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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

**Fund Financial Statements:**

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

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

The government-wide, proprietary fund and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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 revenue 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.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty 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 is 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 all activities of the general government for which a separate fund has not been established.

County Unit Road Fund – Accounts for monies from specific revenue sources that are restricted for road maintenance.

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

The county reports the following proprietary funds:

Solid Waste Fund – The solid waste fund accounts for the county's activities of disposal of solid waste within the county.

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
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Additionally, the county reports the following fund types:

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**PROPRIETARY FUND TYPES**

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

**FIDUCIARY FUND TYPES**

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

**E. Account Classifications.**

The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

**F. Deposits and Investments.**

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

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

**G. Receivables.**

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

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of the 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 fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

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

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

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

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 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 will correspond with the amounts for the asset classification, as listed above.

**J. Long-term liabilities.**

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

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debts and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

**K. Equity Classifications.**

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements 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 or regulation of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved. Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.



**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**L. Property Tax Revenues.**

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority.

The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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

**M. Intergovernmental Revenues in Governmental funds.**

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

**N. Compensated Absences.**

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the proprietary fund 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.

Therefore, the county's full liability in the amount of \$74,338 for accumulated unpaid personal leave up to a maximum of 20 days per employee payable from the Governmental Fund is reported as a liability in the Statement of Net Assets.

**NESHOPA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

2. Deposits.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$2,476,937, and the bank balance was \$2,360,995. 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.

3. Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2004:

A. Due from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 24,776
County Unit Road Fund	General Fund	38,848
Countywide Bridge Fund	General Fund	27,147
Other governmental funds	General Fund	<u>34,572</u>
Total		\$ <u>125,343</u>

The amount due to the general fund from the solid waste fund represents indirect administrative costs incurred during the September 30, 2004 fiscal year. The amount payable to the general fund, county road fund, countywide bridge fund, and non-major governmental funds represents ad valorem taxes collected by the tax collector in September 2004, but not remitted to the county until October 2004. 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	Solid Waste Fund	\$ 47,010
County Unit Road Fund	Solid Waste Fund	<u>54,133</u>
Total		\$ <u>101,143</u>

The amount due to the general fund and county unit road from the solid waste funds represents indirect administrative costs incurred in previous fiscal years that have never been paid to the general fund. None of these advances are expected to be paid within one year.

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
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C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Non-major governmental funds	Non-major governmental funds	\$ <u>57,185</u>
Total		\$ <u><u>57,185</u></u>

Interfund transfer was from the 2000 Building Note account to the courthouse renovation account to pay for the construction of the renovation of the courthouse.

4. Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit due tax collector	\$ 138,234
CAP Loan due spec building fund	63,812
DDA local grant due spec building fund	136,705
Other	<u>41,904</u>
Total Governmental Activities	\$ <u><u>380,655</u></u>
Business-type Activities	
DEQ Grant due solid waste fund	\$ <u>13,937</u>
Total	\$ <u><u>13,937</u></u>

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

5. Capital Assets.

The following is a summary of capital asset activity for the year ended September 30, 2004:

<b>Governmental Activities:</b>	Balance Oct. 1, 2003	Additions	Deletions	Reclassifications	Balance Sept. 30, 2004
<b>Non-depreciable capital assets:</b>					
Land	\$ 338,373	96,000			434,373
Construction in progress	<u>3,474,804</u>	<u>2,486,585</u>	-	( 4,251,871 )	<u>1,709,518</u>
Total non-depreciable capital assets	<u>3,813,177</u>	<u>2,582,585</u>	-	( 4,251,871 )	<u>2,143,891</u>
<b>Depreciable capital assets:</b>					
Roads and bridges	1,231,737			542,863	1,774,600
Buildings and improvements	8,433,433	80,000		3,709,008	12,222,441
Mobile equipment	3,764,156	291,031		859,048	4,914,235
Furniture and equipment	627,046	120,567	( 16,283 )		731,330
Leased property under capital leases	<u>1,240,253</u>	<u>449,464</u>	-	( 819,048 )	<u>870,669</u>
Total depreciable capital assets	<u>15,296,625</u>	<u>941,062</u>	( 16,283 )	<u>4,291,871</u>	<u>20,513,275</u>
<b>Less accumulated depreciation for:</b>					
Roads and bridges	26,229	40,587			66,816
Buildings and improvements	1,825,025	338,721			2,163,746
Mobile equipment	2,654,179	318,601		625,482	3,598,262
Furniture and equipment	379,779	76,641	( 7,348 )		449,072
Leased property under capital leases	<u>768,636</u>	<u>123,809</u>	-	( 625,482 )	<u>266,963</u>
Total accumulated depreciation	<u>5,653,848</u>	<u>898,359</u>	( 7,348 )	-	<u>6,544,859</u>
Total depreciable capital assets, net	<u>9,642,777</u>	<u>42,703</u>	<u>8,935</u>	<u>4,291,871</u>	<u>13,968,416</u>
Governmental activities capital assets, net	\$ <u>13,455,954</u>	<u>2,625,288</u>	<u>8,935</u>	<u>40,000</u>	<u>16,112,307</u>
<b>Business-type activities:</b>					
<b>Depreciable capital assets:</b>					
Mobile equipment	348,842				348,842
Leased property under capital lease	<u>215,499</u>	-	-	-	<u>215,499</u>
Total depreciable capital assets	<u>564,341</u>	-	-	-	<u>564,341</u>
<b>Less accumulated depreciation for:</b>					
Mobile equipment	300,998	13,287			314,285
Leased property under capital lease	<u>77,580</u>	<u>19,395</u>	-	-	<u>96,975</u>
Total accumulated depreciation	<u>378,578</u>	<u>32,682</u>	-	-	<u>411,260</u>
Total depreciable capital assets, net	<u>185,763</u>	<u>32,682</u>	-	-	<u>153,081</u>
Business-type activities capital assets, net	\$ <u>185,763</u>	<u>32,682</u>	-	-	<u>153,081</u>

Reclassification consisted of \$4,291,871. \$4,251,871 was to reclassify construction in progress to completed construction. \$40,000 of mobile equipment did not get recorded in previous years. This was corrected when the fixed asset was moved from lease purchase to mobile equipment.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 245,523
Public safety	299,140
Public works	222,328
Culture and recreation	<u>131,368</u>
Total governmental activities depreciation expense	\$ <u>898,359</u>
<b>Business-type activities:</b>	
Solid waste	\$ <u>32,682</u>
Total business-type activities depreciation expense	\$ <u>32,682</u>

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Spec Building	\$ 214,697	9/05

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 \$500,000 for law enforcement personnel and \$350,000 for all other employees 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, 2004, to January 1, 2005. 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 Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Other furniture and equipment	\$ 117,200	
Mobile equipment	<u>753,469</u>	<u>215,499</u>
Total	<u>870,669</u>	<u>215,499</u>
Less: Accumulated depreciation	<u>266,963</u>	<u>96,975</u>
Leased Property Under Capital Leases	\$ <u>603,706</u>	<u>118,524</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 142,988	11,316	36,320	861
2006	104,404	6,673		
2007	69,012	3,855		
2008	58,151	1,705		
2009	<u>25,578</u>	<u>452</u>	-	-
Total	\$ <u>400,133</u>	<u>24,001</u>	<u>36,320</u>	<u>861</u>

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

8. Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

**Governmental Activities:**

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Industrial park	\$ 95,000	9.25%	01/05
Nemanco Sewer	90,000	6.7/6.9%	09/06
Nursing home bonds – 2001	2,150,000	5.5/4%	03/16
Refunding bonds – 1999	2,460,000	3.8/4.8%	03/16
Courthouse construction	3,525,000	4.2/6%	10/21
Library renovation	<u>710,000</u>	3/4.25%	08.12
Total General Obligation Bonds	\$ <u>9,030,000</u>		
B. Capital Leases:			
5 Crown Victoria police cars	\$ 91,826	3.15%	06/08
5 GMC 2004 1500 pickups	67,503	3.15%	06/08
Electronic sign	11,015	5.39%	02/05
Pumper truck	41,349	4.75%	10/06
2 ambulances	34,201	3.74%	01/06
AS 400	34,239	3.60%	02/06
Freightliner MC chasis	60,000	3.24%	09/09
VTD4 Pumper	<u>60,000</u>	3.24%	09/09
Total Capital Leases	\$ <u>400,133</u>		
C. Other Loans:			
Justice Court annex	\$ 50,000	5.15%	05/05
Dept. of Economic and Community Development Loan	18,568	3%	01/05
MDA Cap Imp Rev Loan spec building	500,000	3%	10/14
TVA Loan spec building	<u>333,106</u>	2%	09/14
Total Other Loans	\$ <u>901,674</u>		

**Business-type Activities:**

A. Capital Lease:			
3 Sterling Garbage Trucks	\$ <u>36,320</u>	5.65%	06/05
Total Capital Lease	\$ <u>36,320</u>		

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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>
2005	\$ 690,000	397,476	108,421	17,643
2006	550,000	366,269	44,744	19,794
2007	525,000	339,997	46,104	18,494
2008	555,000	315,679	91,303	17,839
2009	585,000	289,441	94,802	14,350
2010-2014	3,190,000	1,015,029	511,480	34,039
2015-2019	2,090,000	359,946	4,820	13
2020-2024	<u>845,000</u>	<u>56,870</u>	<u>-</u>	<u>-</u>
Total	\$ <u>9,030,000</u>	<u>3,140,707</u>	<u>901,674</u>	<u>122,172</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, 2004, the amount of outstanding debt was equal to 8% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	<u>Balance</u>			<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2004</u>	<u>Within one</u>
					<u>Year</u>
Governmental Activities:					
Compensated absences	\$ 63,430	10,908		74,338	
General obligation bonds	9,955,000		925,000	9,030,000	690,000
Capital leases	287,148	289,075	176,090	400,133	142,988
Other loans	<u>136,595</u>	<u>833,106</u>	<u>68,027</u>	<u>901,674</u>	<u>108,422</u>
Total	\$ <u>10,442,173</u>	<u>1,133,089</u>	<u>1,169,117</u>	<u>10,406,145</u>	<u>941,410</u>
Business-type Activities:					
Capital leases	\$ <u>82,420</u>	<u>-</u>	<u>46,100</u>	<u>36,320</u>	<u>36,320</u>
Total	\$ <u>82,420</u>	<u>-</u>	<u>46,100</u>	<u>36,320</u>	<u>36,320</u>

**NESHOPA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

9. Deficits Fund Balance of Individual Funds

The following funds reported deficits in fund balances at September 30, 2004

<u>Fund</u>	<u>Deficit Amount</u>
Special Revenue Funds:	
County Unit Road	329,153

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:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Neshoba County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$436,712 for the maintenance and support of the college in fiscal year 2004.

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Neshoba County Board of Supervisors appoints two of the 26 board members. The county provided no financial support in fiscal year 2004.

East Central Community Action Agency, Inc., operates in a district composed of the counties of Leake, Neshoba, Rankin, Scott and Smith. The Neshoba County Board of Supervisors appoints two of the 30 board members. The county provided no financial support in fiscal year 2004.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$17,419 for support of the district in fiscal year 2004.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$21,338 for support of the commission in fiscal year 2004.



**NESHOPA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

12. Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$286,529, \$271,052 and \$268,506, respectively, equal to the required contributions for each year.

13. Subsequent Events.

Subsequent to September 30, 2004, Neshoba County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/4/2004	3.09%	\$	249,440	Lease purchase	Ad valorem taxes
11/1/2004	3.09%		198,529	Lease purchase	Ad valorem taxes
3/7/2005	3.24%		30,154	Lease purchase	Ad valorem taxes
6/6/2005	3.24%		68,000	Lease purchase	Ad valorem taxes
6/1/2005	Varies		4,000,000	General Obligation Bonds	Ad valorem taxes

**NESHOBA COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Neshoba County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 3,143,020	3,080,446	3,080,446	
Licenses, commissions and other revenues	193,150	216,225	216,225	
Fines and forfeitures	285,000	348,699	348,699	
Intergovernmental revenues	1,136,000	938,311	938,311	
Charges for services	200,000	213,339	213,339	
Interest income	15,000	13,196	13,196	
Miscellaneous	27,000	443,733	441,047	(2,686)
Total Revenues	<u>4,999,170</u>	<u>5,253,949</u>	<u>5,251,263</u>	<u>(2,686)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,562,053	2,698,825	2,699,053	(228)
Public safety	1,578,519	1,890,069	1,890,069	
Public works				
Health and welfare	204,564	173,689	173,689	
Culture and recreation	443,155	548,421	548,421	
Conservation of natural resources	79,984	76,006	76,006	
Economic development and assistance	399,276	139,317	139,317	-
Total Expenditures	<u>5,267,551</u>	<u>5,526,327</u>	<u>5,526,555</u>	<u>(228)</u>
Excess of Revenues over (under) Expenditures	<u>(268,381)</u>	<u>(272,378)</u>	<u>(275,292)</u>	<u>(2,914)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		1,151	1,151	
Total Other Financing Sources and Uses	<u>-</u>	<u>1,151</u>	<u>1,151</u>	<u>-</u>
Net Change in Fund Balance	(268,381)	(271,227)	(274,141)	(2,914)
Fund Balances - Beginning	914,692	914,692	914,692	-
Fund Balances - Ending	<u>\$ 646,311</u>	<u>643,465</u>	<u>640,551</u>	<u>(2,914)</u>

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

**Neshoba County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County Unit Road Fund**  
**For the Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 639,000	739,673	739,673	
Licenses, commissions and other revenues	7,000	11,627	11,627	
Intergovernmental revenues	500,000	630,206	630,206	
Interest income	4,000	1,526	1,526	
Miscellaneous	40,000	199,596	199,596	-
Total Revenues	<u>1,190,000</u>	<u>1,582,628</u>	<u>1,582,628</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	<u>1,190,000</u>	<u>1,716,121</u>	<u>1,716,121</u>	
Total Expenditures	<u>1,190,000</u>	<u>1,716,121</u>	<u>1,716,121</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(133,493)</u>	<u>(133,493)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		796	796	
Total Other Financing Sources and Uses	<u>-</u>	<u>796</u>	<u>796</u>	<u>-</u>
Net Change in Fund Balance		(132,697)	(132,697)	
Fund Balances - Beginning	440,884	440,884	440,884	-
Fund Balances - Ending	<u>\$ 440,884</u>	<u>308,187</u>	<u>308,187</u>	<u>-</u>

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

**Neshoba County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**Countywide Bridge & Culvert Fund**  
**For the Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 982,784	1,067,900	1,067,900	
Interest income		980	980	
Miscellaneous revenues		71,761	71,761	-
Total Revenues	<u>982,784</u>	<u>1,140,641</u>	<u>1,140,641</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	<u>982,784</u>	<u>1,313,948</u>	<u>1,313,948</u>	
Total Expenditures	<u>982,784</u>	<u>1,313,948</u>	<u>1,313,948</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(173,307)</u>	<u>(173,307)</u>	<u>-</u>
Net Change in Fund Balance		(173,307)	(173,307)	
Fund Balances - Beginning	<u>160,659</u>	<u>160,659</u>	<u>160,659</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 160,659</u>	<u>(12,648)</u>	<u>(12,648)</u>	<u>-</u>

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

## NESHOBA COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2004

#### Notes to the Required Supplementary Information

##### 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).

# NESHOPA COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2004

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund.

	Governmental Fund Types		
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ ( 274,141 )	( 132,697 )	( 173,307 )
Increase (Decrease)			
Net adjustments for revenue accruals	510,584	( 209,486 )	( 72,468 )
Net adjustments for expenditure accruals	( 561,179 )	( 499,486 )	91,579
To record excess of revenues and other sources over (under) expenditures and other uses for non-budgeted funds	<u>97,443</u>	<u>71,632</u>	<u>-</u>
GAAP Basis	\$ ( <u>227,293</u> )	( <u>770,037</u> )	( <u>154,196</u> )

**NESHOBA COUNTY**

**SPECIAL REPORTS**





**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
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John N. Russell, CPA

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

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of and for the year ended September 30, 2004, and have issued our report thereon dated October 5, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. 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

In planning and performing our audit, we considered Neshoba County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
October 5, 2005



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

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Neshoba County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Neshoba County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Neshoba County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Neshoba County, Mississippi, complied in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Neshoba County, Mississippi, and is not intended to be and should not be relied upon for any other purpose.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
October 5, 2005

**NESHOBA COUNTY**

**Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2004**

**Schedule 1**

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

**NESHOBA COUNTY**  
**Schedule of Emergency Purchases**  
**For the Year Ended September 30, 2004**

**Schedule 2**

Our test results did not identify any emergency purchases.

**NESHOBA COUNTY****Schedule 3****Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2004**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
8/13/2003	Ballots	\$ 6,946	Election Systems & Software
10/03/2004	Ballots	7,877	Election Systems & Software
1/22/2004	Ballots	4,340	Election Systems & Software

**NESHOBA COUNTY**

**SCHEDULE OF FINDINGS**

**NESHOBA COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Section 1: Summary of Auditor's Results

Financial Statements:

- |  |             |
|--|-------------|
| 1. Type of auditors report issued on the primary government financial statements:        | Unqualified |
| 2. Material noncompliance relating to the primary government financial statement:        | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No          |

Section 2: Financial Statement Findings

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



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**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW  
MANAGEMENT REPORT**

Members of the Board of Supervisors  
Neshoba County, Mississippi

In planning and performing our audit of the financial statements of Neshoba County, Mississippi for the year ended September 30, 2004, we considered Neshoba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Neshoba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 5, 2005, on the financial statements of Neshoba County, Mississippi.

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

The results of our review procedures and compliance tests did not identify any immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency.

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

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
October 5, 2005