

NESHOBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015

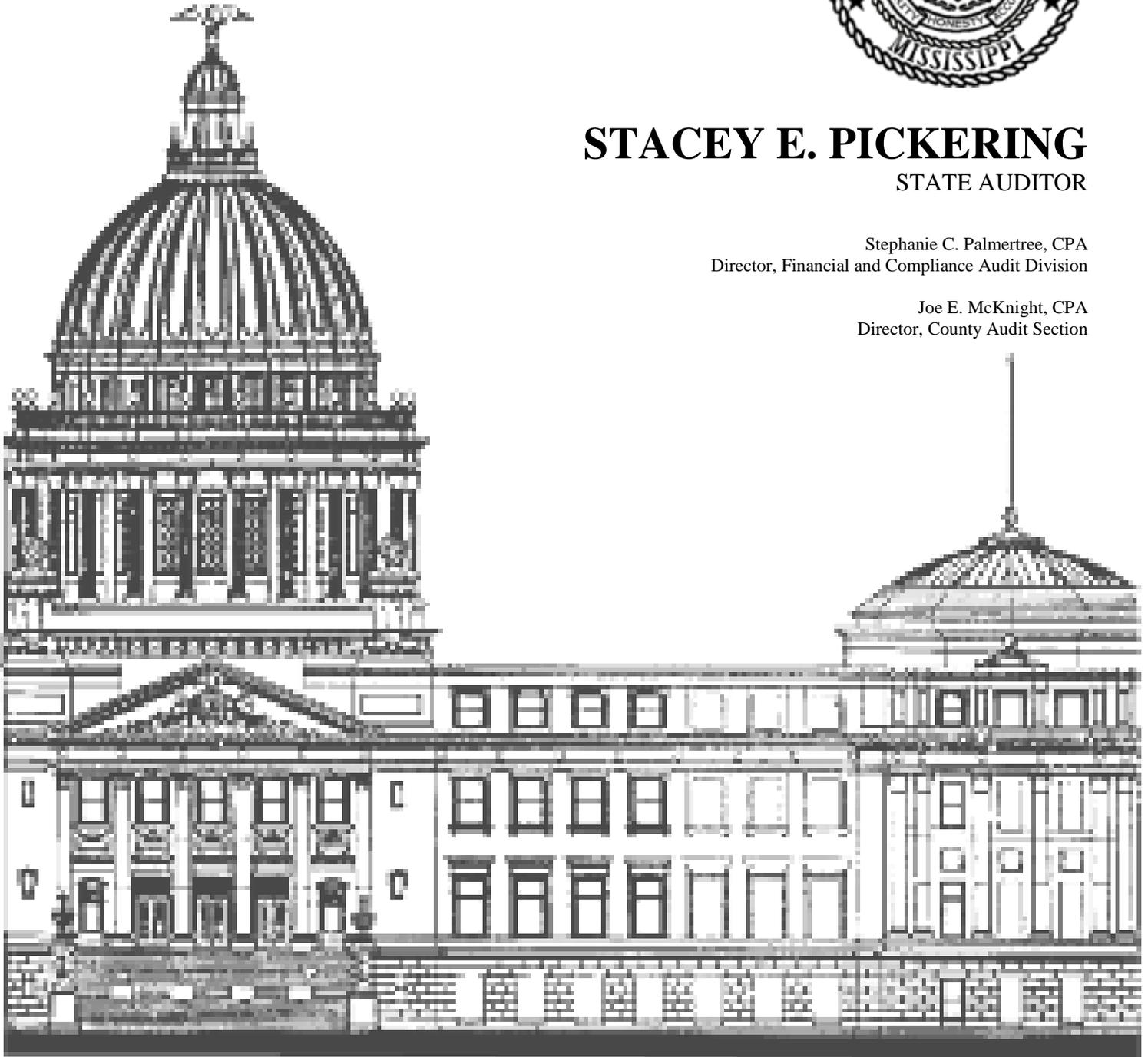


STACEY E. PICKERING

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us

The Office of the State Auditor does not discriminate on the basis of race, religion, national origin, sex, age or disability.



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

October 6, 2017

Members of the Board of Supervisors
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Neshoba County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Stacey E. Pickering
State Auditor

NESHOPA COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR’S REPORT 3

FINANCIAL STATEMENTS 7

 Statement of Net Position 9

 Statement of Activities 10

 Balance Sheet – Governmental Funds 11

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

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

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

 Statement of Net Position – Proprietary Fund 15

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

 Statement of Cash Flows - Proprietary Fund 17

 Statement of Fiduciary Assets and Liabilities 18

 Notes to Financial Statements 19

REQUIRED SUPPLEMENTARY INFORMATION 39

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

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

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

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

 Schedule of County Contributions..... 45

 Notes to the Required Supplementary Information 47

OTHER INFORMATION 49

 Schedule of Surety Bonds for County Officials 51

SPECIAL REPORTS..... 53

 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 55

 Independent Accountant’s Report on Central Purchasing System, Inventory Control System and
 Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))..... 57

 Limited Internal Control and Compliance Review Management Report 63

SCHEDULE OF FINDINGS AND RESPONSES 69

AUDITEE’S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS..... 75

NESHOBA COUNTY

FINANCIAL SECTION

NESHOBA COUNTY

(This page left blank intentionally.)



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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Neshoba County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Neshoba County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017 on our consideration of Neshoba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neshoba County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 6, 2017

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

FINANCIAL STATEMENTS

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,895,612	107,579	5,003,191
Property tax receivable	7,995,988		7,995,988
Accounts receivable (net of allowance for uncollectibles of \$235,705)		140,235	140,235
Fines receivable (net of allowance for uncollectibles of \$4,056,452)	316,970		316,970
Intergovernmental receivables	263,703		263,703
Other receivables	38,172		38,172
Internal balances	730,707	(730,707)	
Capital assets:			
Land and construction in progress	672,666	50,585	723,251
Other capital assets, net	20,970,967	505,326	21,476,293
Total Assets	35,884,785	73,018	35,957,803
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,669,804	44,875	1,714,679
Deferred amount on refunding	213,090		213,090
Total Deferred Outflows of Resources	1,882,894	44,875	1,927,769
LIABILITIES			
Claims payable	441,981	16,058	458,039
Intergovernmental payables	199,974		199,974
Accrued interest payable	78,656		78,656
Unearned revenue		11,982	11,982
Other payables	26,494		26,494
Long-term liabilities			
Net pension liability	9,558,958	256,890	9,815,848
Due within one year:			
Capital debt	1,220,226		1,220,226
Non-capital debt	495,000		495,000
Due in more than one year:			
Capital debt	10,896,329		10,896,329
Non-capital debt	119,902	7,224	127,126
Total Liabilities	23,037,520	292,154	23,329,674
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	222,031	5,967	227,998
Deferred revenues - property taxes	7,995,988		7,995,988
Total Deferred Inflows of Resources	8,218,019	5,967	8,223,986
NET POSITION			
Net investment in capital assets	9,735,433	555,911	10,291,344
Restricted for:			
Expendable:			
General government	79,436		79,436
Public safety	1,223,583		1,223,583
Public works	2,758,410		2,758,410
Health and welfare	1,441		1,441
Culture and recreation	29,756		29,756
Debt service	352,799		352,799
Unrestricted	(7,668,718)	(736,139)	(8,404,857)
Total Net Position	\$ 6,512,140	(180,228)	6,331,912

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

NESHOBA COUNTY
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,185,600	602,644	34,077		(2,548,879)		(2,548,879)
Public safety	3,026,192	509,093	166,581		(2,350,518)		(2,350,518)
Public works	2,447,994		1,052,475	86,434	(1,309,085)		(1,309,085)
Health and welfare	102,806		20,102		(82,704)		(82,704)
Culture and recreation	661,875				(661,875)		(661,875)
Conservation of natural resources	61,075				(61,075)		(61,075)
Economic development and assistance	70,000				(70,000)		(70,000)
Interest on long-term debt	360,193				(360,193)		(360,193)
Pension expense	1,057,633				(1,057,633)		(1,057,633)
Total Governmental Activities	<u>10,973,368</u>	<u>1,111,737</u>	<u>1,273,235</u>	<u>86,434</u>	<u>(8,501,962)</u>		<u>(8,501,962)</u>
Business-type activities:							
Solid Waste	569,238	474,143				(95,095)	(95,095)
Total Business-type Activities	<u>569,238</u>	<u>474,143</u>	<u>0</u>	<u>0</u>		<u>(95,095)</u>	<u>(95,095)</u>
Total Primary Government	<u>\$ 11,542,606</u>	<u>1,585,880</u>	<u>1,273,235</u>	<u>86,434</u>	<u>(8,501,962)</u>	<u>(95,095)</u>	<u>(8,597,057)</u>
General revenues:							
Property taxes					\$ 7,934,888		7,934,888
Road & bridge privilege taxes					332,840		332,840
Grants and contributions not restricted to specific programs					905,447		905,447
Unrestricted interest income					11,937	495	12,432
Miscellaneous					586,160	11,373	597,533
Total General Revenues					<u>9,771,272</u>	<u>11,868</u>	<u>9,783,140</u>
Changes in Net Position					<u>1,269,310</u>	<u>(83,227)</u>	<u>1,186,083</u>
Net Position - Beginning, as previously reported					12,893,044	108,593	13,001,637
Prior period adjustments					(7,650,214)	(205,594)	(7,855,808)
Net Position - Beginning, as restated					<u>5,242,830</u>	<u>(97,001)</u>	<u>5,145,829</u>
Net Position - Ending					<u>\$ 6,512,140</u>	<u>(180,228)</u>	<u>6,331,912</u>

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

NESHOBA COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2015

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
ASSETS					
Cash	\$ 990,591	754,570	462,613	2,687,838	4,895,612
Property tax receivable	4,985,217	461,500	1,215,600	1,333,671	7,995,988
Fines receivable (net of allowance for uncollectibles of \$4,056,452)	316,970				316,970
Intergovernmental receivables	205,820	57,883			263,703
Other receivables	14,484			23,688	38,172
Due from other funds	40,475	62,576	121,897	24,818	249,766
Advances to other funds	32,922	236,843	366,908		636,673
Total Assets	\$ 6,586,479	1,573,372	2,167,018	4,070,015	14,396,884
LIABILITIES					
Liabilities:					
Claims payable	\$ 240,892	83,409	5,753	111,927	441,981
Intergovernmental payables	190,300				190,300
Due to other funds	88,580			1,531	90,111
Advances from other funds	2,362		54,133	18,800	75,295
Other payables	26,494				26,494
Total Liabilities	548,628	83,409	59,886	132,258	824,181
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	4,985,217	461,500	1,215,600	1,333,671	7,995,988
Unavailable revenue - fines	316,970				316,970
Total deferred inflows of resources	5,302,187	461,500	1,215,600	1,333,671	8,312,958
Fund balances:					
Nonspendable:					
Advances	32,922				32,922
Restricted for:					
General government				79,436	79,436
Public safety				1,223,583	1,223,583
Public works		1,028,463	891,532	838,415	2,758,410
Health and welfare				1,441	1,441
Culture and recreation				29,756	29,756
Debt service				431,455	431,455
Unassigned	702,742				702,742
Total Fund Balances	735,664	1,028,463	891,532	2,604,086	5,259,745
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,586,479	1,573,372	2,167,018	4,070,015	14,396,884

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

NESHOBA COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,259,745
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$16,648,198.	21,643,633
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	316,970
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,731,457)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,558,958)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(78,656)
Deferred amount on refunding	213,090
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,669,804
Deferred inflows of resources related to pensions	<u>(222,031)</u>
Total Net Position - Governmental Activities	\$ <u><u>6,512,140</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2015

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund		
REVENUES					
Property taxes	\$ 4,802,183	468,657	1,175,158	1,488,890	7,934,888
Road and bridge privilege taxes		332,840			332,840
Licenses, commissions and other revenue	263,876			7,603	271,479
Fines and forfeitures	301,273			12,242	313,515
Intergovernmental revenues	961,803	661,996		641,317	2,265,116
Charges for services	141,320			314,867	456,187
Interest income	6,851	1,060	889	3,137	11,937
Miscellaneous revenues	108,591	45,674		431,895	586,160
Total Revenues	<u>6,585,897</u>	<u>1,510,227</u>	<u>1,176,047</u>	<u>2,899,951</u>	<u>12,172,122</u>
EXPENDITURES					
Current:					
General government	3,178,617			85,489	3,264,106
Public safety	2,402,589			593,811	2,996,400
Public works		1,139,293	821,200	180,274	2,140,767
Health and welfare	102,806				102,806
Culture and recreation	469,197			100,538	569,735
Conservation of natural resources	64,390				64,390
Economic development and assistance	70,000				70,000
Debt service:					
Principal	154,780		98,705	1,439,847	1,693,332
Interest	9,624		16,522	316,006	342,152
Total Expenditures	<u>6,452,003</u>	<u>1,139,293</u>	<u>936,427</u>	<u>2,715,965</u>	<u>11,243,688</u>
Excess of Revenues over (under) Expenditures	<u>133,894</u>	<u>370,934</u>	<u>239,620</u>	<u>183,986</u>	<u>928,434</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	193,114				193,114
Proceeds from sale of capital assets	7,580			10,854	18,434
Transfers in				7,463	7,463
Transfers out				(7,463)	(7,463)
Total Other Financing Sources and Uses	<u>200,694</u>	<u>0</u>	<u>0</u>	<u>10,854</u>	<u>211,548</u>
Net Changes in Fund Balances	<u>334,588</u>	<u>370,934</u>	<u>239,620</u>	<u>194,840</u>	<u>1,139,982</u>
Fund Balances - Beginning	<u>401,076</u>	<u>657,529</u>	<u>651,912</u>	<u>2,409,246</u>	<u>4,119,763</u>
Fund Balances - Ending	<u>\$ 735,664</u>	<u>1,028,463</u>	<u>891,532</u>	<u>2,604,086</u>	<u>5,259,745</u>

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

NESHOBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,139,982
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,280,623 exceeded capital outlays of \$364,941 in the current period.	(915,682)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$31,144 and the proceeds from the sale of \$18,434 in the current period.	(49,578)
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.	70,556
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,693,332 exceeded debt proceeds of \$193,114.	1,500,218
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences liability	2,827
The amount of decrease in accrued interest payable	8,785
The amortization of bond deferred refunding	(33,549)
The amortization of bond premium	6,722
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,057,633)
Recording of contributions made during the fiscal year	596,663
Rounding	<u>(1)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,269,310</u>

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

NESHOBA COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 107,579
Accounts receivable (net of allowance for uncollectibles of \$235,705)	140,235
Total Current Assets	<u>247,814</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	50,585
Other capital assets, net	505,326
Total Noncurrent Assets	<u>555,911</u>
Total Assets	<u>803,725</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	44,875
Total Deferred Outflows of Resources	<u>44,875</u>
LIABILITIES	
Current liabilities:	
Claims payable	16,058
Due to other funds	169,329
Advances from other funds	561,378
Unearned revenue	11,982
Total Current Liabilities	<u>758,747</u>
Noncurrent liabilities:	
Net Pension Liability	256,890
Non-capital debt:	
Compensated absences payable	7,224
Total Noncurrent Liabilities	<u>264,114</u>
Total Liabilities	<u>1,022,861</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	5,967
Total Deferred Inflows of Resources	<u>5,967</u>
NET POSITION	
Net investment in capital assets	555,911
Unrestricted	(736,139)
Total Net Position	<u>\$ (180,228)</u>

NESHOBA COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 474,143
Miscellaneous	11,373
Total Operating Revenues	<u>485,516</u>
Operating Expenses	
Personal services	256,045
Pension expense	28,423
Contractual services	93,482
Materials and supplies	97,048
Depreciation expense	55,296
Indirect administrative cost	38,944
Total Operating Expenses	<u>569,238</u>
Operating Income (Loss)	<u>(83,722)</u>
Nonoperating Revenues (Expenses)	
Interest income	495
Net Nonoperating Revenue (Expenses)	<u>495</u>
Changes in Net Position	<u>(83,227)</u>
Net Position - Beginning, as previously reported	108,593
Prior period adjustment	<u>(205,594)</u>
Net Position - Beginning, as restated	<u>(97,001)</u>
Net Position - Ending	<u>\$ (180,228)</u>

NESHOBA COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 467,341
Payments to suppliers	(217,398)
Payments to employees	(240,150)
Payments to General Fund for indirect costs	(38,944)
Other operating cash receipts	11,373
Net Cash Provided (Used) by Operating Activities	<u>(17,778)</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	169,329
Cash paid to other funds:	
Interfund loan repayments	(100,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>69,329</u>
Cash Flows From Investing Activities	
Interest on deposits	495
Net Cash Provided (Used) by Investing Activities	<u>495</u>
Net Increase (Decrease) in Cash and Cash Equivalents	52,046
Cash and Cash Equivalents at Beginning of Year	<u>55,533</u>
Cash and Cash Equivalents at End of Year	<u>\$ 107,579</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (83,722)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	55,296
Provision for uncollectible accounts	31,496
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(38,621)
Increase (decrease) in claims payable	1,555
Increase (decrease) in compensated absences liability	3,507
Increase (decrease) in unearned revenue	323
Increase (decrease) in pension liability, deferred inflows and deferred outflows, net	12,388
Total Adjustments	<u>65,944</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (17,778)</u>

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

NESHOBA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 119,332
Due from other funds	<u>9,674</u>
Total Assets	<u>\$ 129,006</u>
LIABILITIES	
Intergovernmental pay ables	<u>\$ 129,006</u>
Total Liabilities	<u>\$ 129,006</u>

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Individual Component Unit Disclosures

Blended Component Units

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

The Neshoba County Public Improvement Corporation is governed by a three-member board of directors appointed by the County Board of Supervisors. Although, it is legally separate from the County, the Corporation is reported as if it were a part of the primary government because its sole purpose was to finance and construct a jail for the Neshoba County prisoners. The Corporation did not have any activity for the year ended September 30, 2015.

C. Basis of Presentation.

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, 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 as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

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

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

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

The County reports the following major Governmental Funds:

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

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

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

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

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

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

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

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

J. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Deferred outflows related to pensions – This amount represents the County’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details.

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

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

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

Deferred inflows related to pensions – This amount represents the County’s proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details.

K. Pensions.

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

L. Long-term Liabilities.

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

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

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

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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.

Fund Balance Flow Assumption:

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

N. Property Tax Revenues:

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

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

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

Q. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

A summary of the significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities.

Explanation	Amount
<u>Governmental Activities:</u>	
Implementation of GASB 68 and 71:	
Net Pension Liability as of 09/30/2014	\$ (7,801,531)
Deferred outflows - contributions	151,317
	<hr/>
Total governmental activities prior period adjustments	\$ <u><u>(7,650,214)</u></u>
<u>Business-Type Activities:</u>	
Implementation of GASB 68 and 71:	
Net Pension Liability as of 09/30/2014	\$ (209,661)
Deferred outflows - contributions	4,067
	<hr/>
Total business-type activities prior period adjustments	\$ <u><u>(205,594)</u></u>

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

Explanation	Amount
Implementation of GASB 68 and 71:	
Net Pension Liability as of 09/30/2014	\$ (209,661)
Deferred outflows - contributions	4,067
	<hr/>
Total prior period adjustments	\$ <u><u>(205,594)</u></u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$5,122,523, and the bank balance was \$5,125,411. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,531
General Fund	Solid Waste Fund	38,944
County Unit Road Fund	General Fund	34,980
County Unit Road Fund	Solid Waste Fund	27,596
Countywide Bridge and Culvert Fund	General Fund	19,108
Countywide Bridge and Culvert Fund	Solid Waste Fund	102,789
Other Governmental Funds	General Fund	24,818
Agency Funds	General Fund	<u>9,674</u>
Total		\$ <u><u>259,440</u></u>

The amount due to the General Fund from the Solid Waste represents indirect administrative costs incurred during the September 30, 2015 fiscal year. The amount due to the General Fund from Other Governmental Funds represents amount loaned to cover a deficit cash balance. The amounts due from the Solid Waste Fund to the County Unit Road Fund and the Countywide Bridge and Culvert Fund represent diversions of legally restricted funds for payroll expenses of the Solid Waste Fund. The remaining receivables represent tax revenue collected by the Tax Assessor/Collector in September 2015, but not settled to the County until the subsequent month. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 18,800
General Fund	Solid Waste Fund	14,122
County Unit Road Fund	Countywide Bridge and Culvert Fund	54,133
County Unit Road Fund	General Fund	2,362
County Unit Road Fund	Solid Waste Fund	180,348
Countywide Bridge and Culvert Fund	Solid Waste Fund	<u>366,908</u>
Total		\$ <u><u>636,673</u></u>

The amount due to the General Fund from Other Governmental Funds represents an amount used to cover the remainder of a principal payment for the Courthouse Renovation Bond. The amount due from the Solid Waste Fund to the General Fund represents indirect administrative costs incurred in prior fiscal years. The amount due to the County Unit Road Fund from the General Fund represents services provided for the coliseum in the fiscal year ended September 30, 2011. The amounts due from the Solid Waste Fund to the County Unit Road Fund and the Countywide Bridge and Culvert Fund represent unpaid payroll and other operating expenses from prior years.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

The amount due to the County Unit Road Fund from the Countywide Bridge and Culvert Fund represents an error in posting a loan repayment from the Solid Waste Fund. None of these advances is expected to be repaid within one year.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>7,463</u>

The principal purpose of the interfund transfer was transfer excess funds for routine operating costs. The interfund transfer was routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 143,797
Privilege taxes	31,566
Timber severance	1,231
Youth court reimbursement	897
Charges for housing prisoners	9,167
Emergency management performance grant	19,516
Petroleum taxes	<u>57,529</u>
Total Governmental Activities	\$ <u>263,703</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Sept. 30, 2015</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 434,373				434,373
Construction in progress	435,738	86,434		(283,879)	238,293
Total non-depreciable capital assets	<u>870,111</u>	<u>86,434</u>	<u>0</u>	<u>(283,879)</u>	<u>672,666</u>
<u>Depreciable capital assets:</u>					
Infrastructure	13,116,372			283,879	13,400,251
Buildings	8,490,698				8,490,698
Improvements other than buildings	4,934,611	77,500			5,012,111
Mobile equipment	6,835,794	7,893	258,134		6,585,553
Furniture and equipment	1,740,118			130,516	1,870,634
Leased property under capital leases	2,197,320	193,114		(130,516)	2,259,918
Total depreciable capital assets	<u>37,314,913</u>	<u>278,507</u>	<u>258,134</u>	<u>283,879</u>	<u>37,619,165</u>

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Less accumulated depreciated for:</u>					
Infrastructure	2,724,519	410,163			3,134,682
Buildings	2,975,212	160,263			3,135,475
Improvements other than buildings	2,385,653	178,717			2,564,370
Mobile equipment	5,724,101	149,255	208,556		5,664,800
Furniture and equipment	1,109,240	96,804		100,684	1,306,728
Leased property under capital leases	657,406	285,421		(100,684)	842,143
Total accumulated depreciation	<u>15,576,131</u>	<u>1,280,623</u>	<u>208,556</u>	<u>0</u>	<u>16,648,198</u>
 Total depreciable capital assets, net	<u>15,576,131</u>	<u>(1,002,116)</u>	<u>49,578</u>	<u>283,879</u>	<u>20,970,967</u>
 Governmental activities capital assets, net	<u>\$ 22,608,893</u>	<u>(915,682)</u>	<u>49,578</u>	<u>0</u>	<u>21,643,633</u>

Business-type activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 50,585	-	-	-	50,585
Total non-depreciable capital assets	<u>50,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,585</u>
<u>Depreciable capital assets:</u>					
Mobile equipment	1,000,003				1,000,003
Total depreciable capital assets	<u>1,000,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,003</u>
<u>Less accumulated depreciated for:</u>					
Mobile equipment	439,381	55,296			494,677
Total accumulated depreciation	<u>439,381</u>	<u>55,296</u>	<u>-</u>	<u>-</u>	<u>494,677</u>
 Total depreciable capital assets, net	<u>560,622</u>	<u>(55,296)</u>	<u>-</u>	<u>-</u>	<u>505,326</u>
 Business-type activities capital assets, net	<u>\$ 611,207</u>	<u>(55,296)</u>	<u>-</u>	<u>-</u>	<u>555,911</u>

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

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 204,833
Public safety	443,129
Public works	531,152
Culture and recreation	101,509
 Total governmental activities depreciation expense	<u>\$ 1,280,623</u>

	Amount
Business-type activities:	
Solid waste	\$ 55,296

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial</u>	<u>Expected Date of</u>
LSBP-50(12)	\$ 8,069	09/2016
BR-0573(3)	514,029	12/2016
LSBP-50(13)	300,000	09/2017

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessee:

The County has entered into numerous agreements to lease office and storage space which are classified as operating leases. These agreements generally are renewable on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Expenditures for rental office and storage space under operating leases for the year ended September 30, 2015 amounted to \$18,870.

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental</u>
Mobile equipment	\$ 1,871,794
Furniture and equipment	388,124
Total	2,259,918
Less: Accumulated depreciation	(842,143)
Leased Property Under Capital Leases	\$ <u>1,417,775</u>

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

The following is a schedule by years of the total payments due as of September 30, 2015:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2016	\$ 381,317	24,065
2017	831,914	15,026
2018	71,698	2,492
2019	57,760	1,144
Total	\$ 1,342,689	42,727

(10) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Neshoba County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$612,694, \$633,202, \$562,521 respectively, equal to the required contributions for each year.

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target	Long-Term Expected
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 12,938,187	9,815,848	7,224,890

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

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

(11) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Refunding Bonds, Series 2009	\$ 495,000	2.25/3.00%	03/2016
Road and Bridge Bonds, Series 2009	1,335,000	2.80/4.00%	05/2024
Recreational Facilities Refunding Bonds, Series 2013	2,630,000	0.85/2.50%	06/2025
Refunding Bonds, Series 2011	1,805,000	2.00/3.50%	10/2021
Series 2013 (EOC and Solid Waste)	<u>1,370,000</u>	2.00/2.75%	05/2031
Total General Obligation Bonds	<u>\$ 7,635,000</u>		
B. Capital Leases:			
Five (5) 2013 Ford Taurus Interceptors	\$ 23,030	1.64%	03/2016
Two (2) 2013 Chevrolet Type II ambulances	35,347	1.64%	05/2016
WatchFire Highbrightness Series sign at Coliseum	4,278	3.07%	08/2016
2011 Ford F-450 chassis only	20,098	3.07%	09/2016
Motorola radio communications equipment	23,867	1.64%	09/2016
Caterpillar D6TXW tractor	192,425	2.04%	06/2017
Caterpillar 950H wheel loader	143,055	2.04%	06/2017
Caterpillar 336EL excavator	201,367	2.04%	06/2017
Two (2) Case 580SN backhoes	123,826	2.04%	06/2017
Two (2) 2014 Chevrolet Type II ambulances	100,278	1.91%	08/2017
Caterpillar 928H wheel loader	99,075	1.95%	09/2017
Court case management system	41,406	2.14%	05/2019
County unified communications system	194,084	2.14%	09/2019
Five (5) 2015 Ford Taurus Sheriff cars	<u>140,553</u>	1.87%	12/2017
Total Capital Leases	<u>\$ 1,342,689</u>		
C. Other Loans:			
MDA Capital Improvements Revolving Loan	<u>\$ 3,571,723</u>	2.00%	01/2033

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 1,160,000	190,090	173,909	69,741
2017	675,000	167,887	177,419	66,231
2018	700,000	150,835	181,001	62,650
2019	720,000	132,384	184,654	58,997
2020	755,000	113,201	188,381	55,270
2021 - 2025	3,035,000	281,463	1,000,499	217,755
2026 - 2030	485,000	54,594	1,105,629	112,623
2031 - 2035	105,000	2,887	560,231	13,513
Total	\$ 7,635,000	1,093,341	3,571,723	656,780

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, 2015, the amount of outstanding debt was equal to 4.49% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2015, \$4,455,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance			Balance	Amount due within one year
	Oct. 1, 2014	Additions	Reductions		
Governmental Activities:					
Compensated absences	\$ 122,729		2,827	119,902	
General obligation bonds	8,750,000		1,115,000	7,635,000	1,160,000
Add:					
Premiums	68,865		6,722	62,143	
Capital leases	1,559,937	193,114	410,362	1,342,689	381,317
Other loans	3,739,693		167,970	3,571,723	173,909
Total	\$ 14,241,224	193,114	1,702,881	12,731,457	1,715,226

	Balance			Balance
	Oct. 1, 2014	Additions	Reductions	
Business-type Activities:				
Compensated absences	\$ 3,717	3,507		7,224
Total	\$ 3,717	3,507	0	7,224

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

NESHOPA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

(12) Deficit Net Position of Individual Funds.

The following fund reported a deficit in net position at September 30, 2015:

Fund	Deficit Amount
Philadelphia/Neshoba County Park Construction Fund	\$ 154,998

(13) 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.

(14) Related Organizations.

The Neshoba County Board of Supervisors created districts to provide fire protection services to the County. The Board appoints the commissioners of each district, but the County's accountability for the district does not extend beyond making the appointments. Each district receives an equal amount of the avails of a two mill tax levy on the real property in the County, which provides an annual appropriation from the County in the amount of \$7,500. These funds are spent through the purchasing system of the County via the County Fire Coordinator. Additionally, the County provides workers' compensation coverage for volunteer firefighters and maintains liability insurance on all fire department apparatus. Neshoba County provided \$156,087 for the operation of the 12 districts in fiscal year 2015.

The districts are as follows:

District	Enabling Legislation	Funding
Arlington Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	\$ 7,500
County Line Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
Dixon Community Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
East Neshoba Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Fairview Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
Hope Community Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
House Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Linwood Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Longino Central Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
North Bend Volunteer Fire Department, Inc.	19-5-151, Miss. Code Ann. (1972)	7,500
Stallo Volunteer Fire Department	19-5-151, Miss. Code Ann. (1972)	7,500
Tucker Community Volunteer Fire Co.	19-5-151, Miss. Code Ann. (1972)	7,500

(15) Joint Venture.

The County participates in the following joint venture:

Neshoba County is a participant with Neshoba County General Hospital and Nursing Home in a joint venture, authorized by Section 45-55-1, Miss. Code Ann. (1972), to operate the Neshoba County Ambulance Enterprise. The joint venture was created to provide a public ambulance service to the citizens of the County. The joint venture is controlled by a five-member Enterprise Management Committee including the hospital's Chief Executive Officer, Chief Financial Officer, and Director of Ambulance; the County's Emergency Management Director and County

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Administrator. The County provided no direct financial support to the venture in fiscal year 2015, but was liable for capital leases on four ambulances with an outstanding principal balance at year-end of \$135,625. However, to date, this debt has been retired with payments received from the hospital.

(16) 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 \$629,650 for the maintenance and support of the college in fiscal year 2015.

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 2015.

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 provided no financial support in fiscal year 2015.

Region Ten Mental-Health 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 \$18,000 for support of the commission in fiscal year 2015.

The Philadelphia-Neshoba County Museum Council is composed of five members, two of which are appointed by the Board of Supervisors. The County appropriated \$12,500 in financial support to the council in fiscal year 2015.

The Philadelphia-Neshoba Tourism Council was created by the Mississippi Legislature for the promotion of tourism and economic development in the City of Philadelphia and Neshoba County. The Board of Supervisors appoints two of the five members of the council. The County provided no financial support to the tourism council in fiscal year 2015.

The Pearl River Basin Development District operates in a district composed of the counties of Hancock, Leake, Lincoln, Marion, Neshoba, Pearl River, Pike, Scott, Simpson and Walthall. The Neshoba County Board of Supervisors appoints two of the 25 members of the District's Board of Directors. The County appropriated \$40,630 in financial support to the district in fiscal year 2015.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Neshoba County evaluated the activity of the County through October 6, 2017, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

NESHOBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
06/01/2016	1.71%	\$ 123,467	Capital lease	Ad valorem taxes
06/14/2016	1.86%	89,900	Capital lease	Ad valorem taxes
06/14/2016	1.86%	85,226	Capital lease	Ad valorem taxes
06/14/2016	1.86%	214,159	Capital lease	Ad valorem taxes
08/05/2016	1.65%	283,909	Capital lease	Ad valorem taxes
04/01/2017	2.34%	55,500	Capital lease	Ad valorem taxes
04/17/2017	2.20%	49,970	Capital lease	Ad valorem taxes
04/17/2017	2.99%	1,560,000	Capital lease	Ad valorem taxes
07/05/2017	1.95%	152,435	Capital lease	Ad valorem taxes
08/14/2017	2.02%	299,283	Capital lease	Ad valorem taxes

NESHOBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	4,580,000	5,027,316	5,027,316	
Licenses, commissions and other revenue	230,500	268,762	268,762	
Fines and forfeitures	300,000	301,188	301,188	
Intergovernmental revenues	1,050,000	1,010,424	1,010,424	
Charges for services	165,500	145,874	145,874	
Interest income		6,809	6,809	
Miscellaneous revenues	174,000	181,111	181,111	
Total Revenues	<u>6,500,000</u>	<u>6,941,484</u>	<u>6,941,484</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,074,172	3,223,261	3,223,261	
Public safety	2,350,301	2,431,544	2,431,544	
Health and welfare	112,614	105,676	105,676	
Culture and recreation	527,463	478,174	478,174	
Education	300,000	467,838	467,838	
Conservation of natural resources	65,450	63,886	63,886	
Economic development and assistance	70,000	70,000	70,000	
Debt service:				
Principal		154,666	154,666	
Interest		9,738	9,738	
Total Expenditures	<u>6,500,000</u>	<u>7,004,783</u>	<u>7,004,783</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(63,299)</u>	<u>(63,299)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		100,000	100,000	
Transfers out		(32,229)	(32,229)	
Other financing sources		202,516	202,516	
Other financing uses		(5,052)	(5,052)	
Total Other Financing Sources and Uses	<u>0</u>	<u>265,235</u>	<u>265,235</u>	<u>0</u>
Net Change in Fund Balance		201,936	201,936	
Fund Balances - Beginning	<u>465,000</u>	<u>522,816</u>	<u>522,916</u>	<u>100</u>
Fund Balances - Ending	<u>465,000</u>	<u>724,752</u>	<u>724,852</u>	<u>100</u>

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

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Unit Road Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 455,000	469,661	469,661	
Road and bridge privilege taxes	375,000	340,953	340,953	
Licenses, commissions and other revenue	10,000	9,819	9,819	
Intergovernmental revenues	365,000	613,685	613,685	
Interest income		1,060	1,060	
Miscellaneous revenues		45,674	45,674	
Total Revenues	<u>1,205,000</u>	<u>1,480,852</u>	<u>1,480,852</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,205,000	1,165,245	1,165,245	
Total Expenditures	<u>1,205,000</u>	<u>1,165,245</u>	<u>1,165,245</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>315,607</u>	<u>315,607</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		38,879	38,879	
Transfers out		(6,650)	(6,650)	
Total Other Financing Sources and Uses	<u>0</u>	<u>32,229</u>	<u>32,229</u>	<u>0</u>
Net Change in Fund Balance		347,836	347,836	
Fund Balances - Beginning	<u>133,000</u>	<u>406,734</u>	<u>406,734</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 133,000</u>	<u>754,570</u>	<u>754,570</u>	<u>0</u>

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

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,250,000	1,177,028	1,177,028	
Interest income		889	889	
Total Revenues	<u>1,250,000</u>	<u>1,177,917</u>	<u>1,177,917</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,250,000	923,990	923,990	
Debt service:				
Principal		97,518	97,518	
Interest		17,710	17,710	
Total Expenditures	<u>1,250,000</u>	<u>1,039,218</u>	<u>1,039,218</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>138,699</u>	<u>138,699</u>	<u>0</u>
Net Change in Fund Balance		138,699	138,699	
Fund Balances - Beginning	<u>380,000</u>	<u>322,936</u>	<u>322,936</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 380,000</u>	<u>461,635</u>	<u>461,635</u>	<u>0</u>

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

NESHOBA COUNTY
 Schedule of the County's Proportionate Share of the Net Pension Liability
 Last 10 Fiscal Years*
 For the Year Ended September 30, 2015
 UNAUDITED

	<u>2015</u>
County's proportion of the net pension liability (asset)	0.0635%
County's proportionate share of the net pension liability (asset)	\$ 9,815,848
County's covered-employee payroll	\$ 3,951,341
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.42%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

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

NESHOBA COUNTY
 Schedule of County Contributions
 Last 10 Fiscal Years*
 For the Year Ended September 30, 2015
 UNAUDITED

	<u>2015</u>
Contractually required contribution	\$ 612,694
Contributions in relation to the contractually required contribution	<u>612,694</u>
Contribution deficiency (excess)	<u>\$ -</u>
County's covered-employee payroll	\$ 3,890,123
Contributions as a percentage of covered-employee payroll	15.75%

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

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

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOPA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ 201,936	347,836	138,699
Increase (Decrease)			
Net adjustments for revenue accruals	(457,409)	(9,504)	(1,870)
Net adjustments for expenditure accruals	590,061	32,602	102,791
GAAP Basis	\$ 334,588	370,934	239,620

NESHOBA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

UNAUDITED

Pension Schedules

A. Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

NESHOBA COUNTY

OTHER INFORMATION

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

Name	Position	Company	Bond
Keith Lillis	Supervisor District 1	Travelers Casualty and Surety of America	\$100,000
Kevin Cumberland	Supervisor District 2	Travelers Casualty and Surety of America	\$100,000
Kinsey Smith	Supervisor District 3	Travelers Casualty and Surety of America	\$100,000
Marty Sistrunk	Supervisor District 4	Travelers Casualty and Surety of America	\$100,000
Obbie Riley	Supervisor District 5	Travelers Casualty and Surety of America	\$100,000
Jeff Mayo	County Administrator	Travelers Casualty and Surety of America	\$100,000
Guy Nowell	Chancery Clerk	Travelers Casualty and Surety of America	\$100,000
Melissa Johnson	Purchase Clerk	Travelers Casualty and Surety of America	\$75,000
Jeff Mayo	Assistant Purchase Clerk	Travelers Casualty and Surety of America	\$50,000
Laura McLemore	Receiving Clerk	Travelers Casualty and Surety of America	\$75,000
Rhonda Williams	Assistant Receiving Clerk	Travelers Casualty and Surety of America	\$50,000
Brenda Nowell	Inventory Control Clerk	Travelers Casualty and Surety of America	\$75,000
Eddie Posey	Road Manager	Travelers Casualty and Surety of America	\$50,000
Paul Payne	Constable	Travelers Casualty and Surety of America	\$50,000
Kenneth Spears	Constable	Travelers Casualty and Surety of America	\$50,000
Patti Duncan Lee	Circuit Clerk	Travelers Casualty and Surety of America	\$100,000
Tommy Waddell	Sheriff	Travelers Casualty and Surety of America	\$100,000
Steve Cumberland	Justice Court Judge	Travelers Casualty and Surety of America	\$50,000
Brad Stuart	Justice Court Judge	Travelers Casualty and Surety of America	\$50,000
Kathy Warren	Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Lynell Coleman	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Vermanda Fuller	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Summer Greer	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Jean Nowell	Deputy Justice Court Clerk	Travelers Casualty and Surety of America	\$50,000
Mike Lewis	Tax Assessor-Collector	Travelers Casualty and Surety of America	\$100,000
Blanket Bond	Deputy Tax Collectors	Travelers Casualty and Surety of America	\$50,000

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

SPECIAL REPORTS

NESHOBA COUNTY

(This page left blank intentionally.)



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

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

Members of the Board of Supervisors
Neshoba County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Neshoba County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 6, 2017. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, and 2015-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2015-007 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2015-003, 2015-004, 2015-005 and 2015-006.

We also noted certain matters which we have reported to the management of Neshoba County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 6, 2017, included within this document.

Neshoba County's Responses to Findings

Neshoba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Neshoba County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 6, 2017



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

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

Members of the Board of Supervisors
Neshoba County, Mississippi

We have examined Neshoba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Neshoba County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Neshoba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 6, 2017

NESHOBA COUNTY
Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2015

Schedule 1

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

NESHOBA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our tests did not identify any emergency purchases.

NESHOBA COUNTY
Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2015

Schedule 3

Our tests did not identify any purchases made noncompetively from a sole source.

NESHOBA COUNTY

(This page left blank intentionally.)



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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Neshoba County, Mississippi

In planning and performing our audit of the financial statements of Neshoba County, Mississippi for the year ended September 30, 2015, we considered Neshoba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Neshoba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 6, 2017, on the financial statements of Neshoba County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

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

Finding

As reported in the prior two years' audit reports, the County has interfund loans outstanding that are over a year old. These interfund loans totaled \$547,256 as of September 30, 2015. These advances relate to a loan to make a debt service payment, and payroll and operating costs associated with garbage collection activities. The Mississippi Code is silent regarding the authority of the County to make these loans. Failure to repay these loans constitutes a diversion of legally-restricted funds.

Recommendation

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

Board of Supervisors' Response

Neshoba County is working to re-pay said outstanding interfund loans.

2. The County should implement controls to ensure distributions of highway privilege taxes and additional privilege taxes are settled according to state statute.

Finding

Section 27-19-11, Miss. Code Ann. (1972), states that the counties shall distribute the proceeds of highway privilege taxes and additional privilege taxes collected by the state as they would if these collections were ad valorem taxes. As reported in the prior year's audit report, in fiscal year 2015, the County distributed \$36,234 of these taxes to the City of Philadelphia, Philadelphia City Schools and the Town of Union. The County does not levy ad valorem taxes for these entities and accordingly, should not distribute any of the highway privilege taxes or additional privilege taxes to them. The failure to properly distribute these taxes is a violation of state statute and resulted in the funds being expended for purposes not authorized by law.

Recommendation

The Board of Supervisors should implement internal controls to ensure highway privilege taxes and additional privilege taxes are distributed according to state statute.

Board of Supervisors' Response

Neshoba County has corrected the distribution of said funds for FY2016 and will properly distribute said taxes to the various county funds as required for future funds received.

3. The County should replace obsolete computer hardware and software.

Finding

The County is running operating systems as well as applications on some of its servers and/or personal computers (PCs) that might not be supported by vendors. Due to the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that the County develop a plan to replace the operating systems, applications, and hardware where necessary that is no longer supported by vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases.

Board of Supervisors' Response

Neshoba County has made great strides in complying with this recommendation with implementation of our new jail management system and replacement of virtually all PC's at the Neshoba County Sheriff's Department which are now running at a minimum Win 7 Pro with the majority running Win 10 Pro and the new server running the latest OS. All primary system applications across various county departments are supported by vendors with on-going maintenance contracts, the majority are also covered with hardware support contracts and, with limited exceptions, nearly all offices are running a minimum of Win 7 Pro operating systems and the majority has been upgraded to Win 10 Pro. Older servers are still being utilized to provide backup and redundancy capabilities internally, behind the firewall, and deep within the network with very limited outside access, which maximizes their lifetime usefulness in a secondary role. As finding allows and as application needs change, Neshoba County will continue to update and upgrade servers, software applications, network infrastructures and PCs.

4. The County Should Establish and Test a Disaster Recovery Process.

Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

Neshoba County will work to comply with this recommendation as time and funding permits.

5. Neshoba County should install network banners on its internal network.

Finding

Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator. As reported in the prior two years' audit report, we noted that Neshoba County's system did not display appropriate network banners on its internal network.

Recommendation

We recommend that Neshoba County implement appropriate network banners on its internal network.

Board of Supervisors' Response

Neshoba County implemented network banners on the most recent software upgrade and installation of the new Jail Management System. Neshoba County will continue to work to comply with this recommendation for all future software/network upgrades as funding permits.

6. Neshoba County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, Neshoba County has not implemented a formal information security policy or enterprise security plan. The lack of a formal information security policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of information technology policies should cover at least the following areas:

- Acceptable use
- Portable computing
- Change management
- Encryption
- Security incident response
- Risk management
- Backup and recovery
- Business continuity/disaster recovery

We recommend that Neshoba County create a plan of compliance with industry standards to ensure progress toward a robust documented information security plan. This policy should be reviewed and approved by the Board of Supervisors. In addition, employees that utilize the technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

Neshoba County has adopted an Information Security Policy as part of the revised Personnel Policies and Procedures as of April 17, 2017.

Tax Collector

7. Deputy Tax Collectors should be bonded individually and the bonds should be written for the term of employment.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each deputy tax collector to execute bond to be payable, conditioned and approved as provided by law in an amount not less than fifty thousand dollars (\$50,000) for the faithful discharge of his duties. Section 25-1-15(1), Miss. Code Ann. (1972), requires a new bond in the amount required by law to be secured upon employment and coverage shall continue by securing a new bond every four years concurrent with the normal election cycle of the local government applicable to the employee. As reported in the prior year's audit report, the deputy tax collectors' bonds were issued under an indefinite blanket bond rather than individual bonds expiring at the end of the tax collector's term. In the event of a loss of public funds involving the deputy tax collectors, the County would be responsible for recovery of funds and have incurred an unnecessary liability. In the event of a loss of public funds over multiple terms, the amount available to the county for recovery would be limited.

Recommendation

The Tax Collector should ensure that all deputies are bonded individually upon employment and that the deputies' bonds are secured for the duration of the current term.

Tax Collector's Response

This was corrected in 2016, all clerks are individually bonded.

Justice Court Clerk

8. Justice Court Clerk should be bonded for the term of employment.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires the Justice Court Clerk to execute bond to be payable, conditioned and approved as provided by law in a penalty equal to fifty thousand dollars (\$50,000). The Justice Court Clerk was bonded under an indefinite bond for fiscal year 2015. In the event of a loss of public funds over multiple terms, the amount available to the County for recovery would be limited.

Recommendation

The Justice Court Clerk should ensure that the bond is secured for the duration of the current term.

Justice Court Clerk's Response

This has been taken care of.

Neshoba County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 6, 2017

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NESHOBA COUNTY

(This page left blank intentionally.)

NESHOPA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Section 1: Summary of Auditor’s Results

Financial Statements:

- 1. Type of auditor's report issued on the financial statements:
 - Governmental activities Unmodified
 - Business-type activities Unmodified
 - Aggregate discretely presented component units Adverse
 - General Fund Unmodified
 - County Unit Road Fund Unmodified
 - Countywide Bridge and Culvert Fund Unmodified
 - Aggregate remaining fund information Unmodified

- 2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? Yes

- 3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2015-001. The County should include the financial data for its discrete component units in its financial statements.

Finding

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

Recommendation

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

Board of Supervisors’ Response

Neshoba County will strive to include financial data for our discrete component units. It should be noted that the IDA has not provided requested information for preparation of the financial statements.

NESHOBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Material Weakness

2015-002. Excess overtime paid was without proper approval.

Finding

An effective system of internal control over payroll expenditures should include an approval of payroll overtime. As reported in the prior two years' audit reports, our payroll test-work revealed several salaried employees who were paid excessive overtime without proper approval or adequate justification. The individuals who received the unapproved payroll were terminated, investigated, charged and sentenced as of September 22, 2016. Failure to have an adequate system of review of payroll expenditures could result in the loss of public funds.

Recommendation

The Board of Supervisors should implement effective control policies that allow for the review and approval of payroll and overtime.

Board of Supervisors' Response

Neshoba County has implemented a system of internal control policies to comply with and ensure this recommendation.

Material Weakness

Material Noncompliance

2015-003. Internal controls over the use of funds levied for maintenance and construction of roads should be strengthened.

Finding

Section 27-39-305, Miss. Code Ann. (1972), restricts the use of funds levied for the maintenance and construction of roads to that purpose. As reported in the prior two years' audit reports, it was noted that the County expended \$27,597 from the County Unit Road Fund to cover payroll expenses incurred by the Solid Waste Department. The failure to adequately restrict the use of funds levied for road maintenance and construction is in direct violation of Section 27-39-305, Miss. Code Ann. (1972), and is an illegal diversion of legally restricted funds. This situation could result in the Board of Supervisors being held personally responsible for such amounts.

Recommendation

The Board of Supervisors should implement internal controls to ensure the proper usage of legally restricted funds.

Board of Supervisors' Response

This has been corrected for future fiscal years – beginning with the fiscal year 2015 (current fiscal year being audited) through present.

Auditor's Note

Solid Waste Department's payroll was paid from the County Unit Road Fund through March 2015.

NESHOPA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Material Weakness
Material Noncompliance

2015-004. Internal controls over the use of funds levied for maintenance and construction of bridges and installation and replacement of culverts should be strengthened.

Finding

Section 65-15-17, Miss. Code Ann. (1972), restricts the use of funds levied for the maintenance and/or construction of bridges and culverts. As reported in the prior two years' audit reports, it was noted that the County expended \$102,788 from the Countywide Bridge and Culvert Fund to cover payroll expenses incurred by the Solid Waste Department. The failure to adequately restrict the use of funds levied for bridge construction and maintenance and culvert installation and replacement is in direct violation of Section 65-15-17, Miss. Code Ann. (1972), and is an illegal diversion of legally restricted funds. This situation could result in the Board of Supervisors being held personally responsible for such amounts.

Recommendation

The Board of Supervisors should implement internal controls to ensure the proper usage of legally restricted funds.

Board of Supervisors' Response

This has been corrected for future fiscal years – beginning with the fiscal year 2015 (current fiscal year being audited) through present.

Auditor's Note

Solid Waste Department's payroll was paid from the Countywide Bridge and Culvert Fund through March 2015.

Material Weakness
Material Noncompliance

2015-005. Tax levies should be sufficient to pay principal and interest on bonds.

Finding

Section 19-9-9, Miss. Code Ann. (1972), requires the Board of Supervisors to levy sufficient taxes to provide for the payment of the principal and the interest on bonds according to the terms thereof. As reported in the prior year's audit report, four of the County's five debt service funds, the 2009 Refunding Bond Fund, the 2009 Road and Bridge Bond Fund, the 2011 Refunding Bond Fund, and the 2013 Solid Waste/EOC Bond Fund, all sustained a negative cash balance because the proceeds of the corresponding levy were not sufficient to pay the bond principal and interest payments when due. Failure to levy taxes at a sufficient rate caused deficit fund balances and could result in the misuse of funds restricted for other purposes.

Recommendation

The Board of Supervisors should implement controls to ensure the proceeds of the debt service levies are sufficient to pay the obligations when due.

Board of Supervisors' Response

Neshoba County will implement controls to ensure debt service levies are sufficient to pay said obligations.

NESHOPA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Material Weakness
Material Noncompliance

2015-006. The County should implement controls to ensure tax levies are within statutorily-imposed limits.

Finding

Section 27-39-329(2)(b), Miss. Code Ann. (1972), states that each county shall levy each year an ad valorem tax of one (1) mill upon all taxable property of the county which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax, but the avails of such tax levy shall not be expended unless and until the State Tax Commission has certified that the county has a method of maintaining assessment records in accordance with commission rules and regulations, has an ownership mapping system as provided in Section 27-35-53 in conformity with commission specifications, maintains certified appraisers as provided in Section 27-3-52, and complies with requests by the commission for sales data under Section 27-3-51. As noted in the prior year's audit report, for fiscal year 2015, the County levied 2.00 mills under Section 27-39-329. The adoption of the 2.00 mill levy for the purpose of maintaining tax rolls after reappraisal or any other purpose authorized by law resulted in the collection of ad valorem taxes in excess of the statutory limit and places the County in violation of state statute.

Recommendation

The Board of Supervisors should establish internal controls to ensure all levies are within prescribed statutory limits.

Board of Supervisors' Response

Neshoba County acknowledges the levy should have been properly worded with the authority authorized under Section 27-39-325 for reappraisal and the authority granted under this section for maintaining tax rolls after reappraisal. This has been corrected for fiscal year 2017 and will be for future fiscal years.

Justice Court Clerk
Significant Deficiency

2015-007. The Justice Court Clerk should implement internal controls over cash.

Finding

An effective system of internal control should include maintaining accurate cash journals and reconciling the bank statements to the cash journals. As noted in the prior year's audit report, certain receipts for civil cases were posted to the criminal cash journal. Additionally, bank statements were not reconciled to the cash journals. Failure to accurately record cash transactions and to reconcile the bank statements to the cash journals could result in the loss and/or misappropriation of county funds.

Recommendation

The Justice Court Clerk should implement controls to ensure all cash receipts are posted to the appropriate cash journal and the bank statements are reconciled to the cash journals in a timely manner.

Justice Court Clerk's Response

This has been taken care of.

NESHOBA COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NESHOBA COUNTY

(This page left blank intentionally.)



NESHOPA COUNTY BOARD OF SUPERVISORS

401 BEACON STREET, SUITE 201
PHILADELPHIA, MISSISSIPPI 39350
PHONE 601-656-6281
FAX 601-650-3280

KEITH LILLIS
DISTRICT ONE

KEVIN CUMBERLAND
DISTRICT TWO

JERRY GOFORTH
DISTRICT THREE

ALLEN WHITE
DISTRICT FOUR

OBIBIE RILEY
DISTRICT FIVE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2015

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

The Neshoba County Board of Supervisors respectfully submits the following summary schedule of prior audit findings relative to federal awards.

2014-012 In-kind contributions should be computed in accordance with the applicable cost principles.

CFDA 97.052 Emergency Operations Center
Award number 10EC050
U.S. Department of Homeland Security, Passed through the Mississippi
Emergency Management Agency

Questioned Costs: \$56,976

Material Weakness
Material Noncompliance

Compliance Requirement: Matching, Level of Effort, Earmarking

OMB Circular A-87, attachment B, item 11 dictates that the computation of depreciation or use allowances for the use of fixed assets on hand shall be based on the acquisition cost of the assets involved. In-kind contributions for use of county-owned equipment on the construction project were computed using FEMA's Schedule of Equipment Rates, which are approved for use only in the case of presidentially-declared disasters. Failure to accurately compute the amounts claimed as in-kind contributions to meet the grant's matching requirement resulted in the costs being reported as questioned costs and could result in the County being required to repay these funds to the federal government.

Recommendation

The Board of Supervisors should take steps to ensure that all amounts claimed as in-kind contributions

www.neshobacounty.net

are computed in accordance with the applicable cost circular.

Current Status:

Neshoba County, to date, has not received another federal grant award from FEMA in which in-kind contributions for the use of county equipment would be utilized. We are currently in Phase A of a Hazard Mitigation Grant Project and if approved for Phase B which would be actual construction of a drainage improvement project, there is the possibility that in-kind contributions in this regard could be utilized. In any future grant project from FEMA in which in-kind contributions for the use of county equipment is to be utilized, Neshoba County will base the amount for in-kind contributions on the rates derived from and in accordance with the applicable cost circular.

Sincerely yours,

Obbie Riley 
Board President
Neshoba County Board of Supervisors