





**NESHOBA COUNTY, MISSISSIPPI  
AUDITED PRIMARY GOVERNMENT  
FINANCIAL STATEMENTS  
AND SPECIAL REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NESHOBA COUNTY**  
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**NESHOBA COUNTY**

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**NESHOBA COUNTY**

**FINANCIAL SECTION**



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**INDEPENDENT AUDITORS' REPORT ON THE  
PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION**

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Neshoba County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Neshoba County, Mississippi, as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Neshoba County, Mississippi, as of September 30, 2006, and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2007, on our consideration of Neshoba County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Neshoba County Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 29, 2007



**NESHOBA COUNTY**

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**NESHOBA COUNTY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 6,016,523	26,410	6,042,933
Property tax receivable	7,169,728		7,169,728
Fines receivable, net	562,722		562,722
Intergovernmental receivables	325,587		325,587
Accounts receivable, net		47,024	47,024
Other receivables, net	5,313		5,313
Internal balances	157,418	(157,418)	0
Capital assets, net	18,303,532	114,291	18,417,823
Total Assets	<u>32,540,823</u>	<u>30,307</u>	<u>32,571,130</u>
<b>LIABILITIES</b>			
Claims payable	357,359	21,831	379,190
Intergovernmental payables	286,060		286,060
Accrued interest payable	147,087		147,087
Deferred revenue	7,169,728		7,169,728
Other payables	127,949		127,949
Long-term liabilities			
Due within one year:			
Capital related debt	688,014		688,014
Non-capital debt	256,350		256,350
Due in more than one year:			
Capital related debt	9,416,845		9,416,845
Non-capital debt	2,827,303		2,827,303
Total Liabilities	<u>21,276,695</u>	<u>21,831</u>	<u>21,298,526</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,198,673	114,291	8,312,964
Restricted net assets:			
Expendable:			
Debt service	437,420		437,420
Public works	327,915		327,915
Culture and recreation	3,773,859		3,773,859
Other purposes	501,180		501,180
Unrestricted (Deficit)	(1,974,919)	(105,815)	(2,080,734)
Total Net Assets	<u>\$ 11,264,128</u>	<u>8,476</u>	<u>11,272,604</u>

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

NESHOBA COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 3,353,907	658,801	93,185	205,788	(2,396,133)		(2,396,133)
Public safety	2,444,362	401,120	340,368		(1,702,874)		(1,702,874)
Public works	3,578,079		1,697,010	1,227,965	(653,104)		(653,104)
Health and welfare	268,071		15,072	178,637	(74,362)		(74,362)
Culture and recreation	955,529	66,431			(889,098)		(889,098)
Conservation of natural resources	91,052				(91,052)		(91,052)
Economic development and assistance	171,650				(171,650)		(171,650)
Interest on long-term debt	586,012				(586,012)		(586,012)
Other debt	7,314				(7,314)		(7,314)
Total Governmental Activities	11,455,976	1,126,352	2,145,635	1,612,390	(6,571,599)		(6,571,599)
Business-type Activities:							
Solid Waste	294,075	264,692				(29,383)	(29,383)
Total Business-type Activities	294,075	264,692	0	0	0	(29,383)	(29,383)
Total Primary Government	\$ 11,750,051	1,391,044	2,145,635	1,612,390	(6,571,599)	(29,383)	(6,600,982)
General revenues:							
Taxes:							
Property taxes					\$ 7,020,353		7,020,353
Road and bridge privilege taxes					348,415		348,415
Grants and contributions not restricted to specific programs					515,073		515,073
Unrestricted investment income					140,952	814	141,766
Miscellaneous					249,441	1,951	251,392
Total General Revenues and Transfers					8,274,234	2,765	8,276,999
Changes in Net Assets					1,702,635	(26,618)	1,676,017
Net assets - Beginning					9,561,493	35,094	9,596,587
Net assets - Ending					\$ 11,264,128	8,476	11,272,604

The accompanying notes are an integral part of these financial statements.

**NESHOBA COUNTY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>County Unit Road Fund</b>	<b>Countywide Bridge and Culvert Fund</b>	<b>Park Fund</b>	<b>Other Governmental Funds</b>	
<b>ASSETS</b>						
Cash	\$ 1,095,400	59,179	25,625	3,773,859	1,062,460	6,016,523
Property tax receivable	4,135,470	413,000	1,300,760		1,320,498	7,169,728
Fines receivable	562,722					562,722
Intergovernmental receivables	137,536	173,255			14,796	325,587
Other receivables	5,313					5,313
Due from other funds	27,593	68,043	28,871		32,960	157,467
Advances to other funds	75,692	54,133				129,825
<b>Total Assets</b>	<b>\$ 6,039,726</b>	<b>767,610</b>	<b>1,355,256</b>	<b>3,773,859</b>	<b>2,430,714</b>	<b>14,367,165</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Claims payable	\$ 251,638	79,005	2,186		24,530	357,359
Intergovernmental payables	286,060					286,060
Due to other funds	129,874					129,874
Deferred revenue	4,698,193	413,000	1,300,760		1,320,497	7,732,450
Other payables	127,949					127,949
<b>Total Liabilities</b>	<b>5,493,714</b>	<b>492,005</b>	<b>1,302,946</b>	<b>0</b>	<b>1,345,027</b>	<b>8,633,692</b>
<b>Fund Balances:</b>						
Reserved for:						
Advances	75,692	54,133				129,825
Unreserved, reported in:						
General fund	470,320	221,472	52,310	3,773,859	501,180	470,320
Special revenue funds						4,548,821
Debt service funds						584,507
<b>Total Fund Balances</b>	<b>546,012</b>	<b>275,605</b>	<b>52,310</b>	<b>3,773,859</b>	<b>1,085,687</b>	<b>5,733,473</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,039,726</b>	<b>767,610</b>	<b>1,355,256</b>	<b>3,773,859</b>	<b>2,430,714</b>	<b>14,367,165</b>

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

**NESHOBA COUNTY  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 5,733,473
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	18,303,532
Capital assets net of depreciation as of 10/01/05 as restated	\$ 17,541,526
Plus capital outlay expenditures made during the year	1,669,376
Less depreciation expense recorded during the year	(878,532)
Less book value of capital assets sold during the year	<u>(28,838)</u>
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	562,722
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	<u>(13,335,599)</u>
Long-term liabilities	(13,188,512)
Accrued interest on bonds	<u>(147,087)</u>
Total Net Assets - Governmental Activities (Exhibit 1)	\$ <u><u>11,264,128</u></u>

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

**NESHOPA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Major Funds					Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund	Park Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 3,786,526	402,404	1,343,136		1,488,286	7,020,352
Road and bridge privilege taxes	4,032	344,383				348,415
Licenses, commissions and other revenue	244,686				1,785	246,471
Funds and forfeitures	330,936					330,936
Intergovernmental revenues	1,294,893	1,337,536	57,173		1,583,495	4,273,097
Charges for services	100,171				309,569	409,740
Interest income	18,111	76	1,185	110,925	10,654	140,951
Miscellaneous revenues	128,065	35,929			17,409	181,403
Total Revenues	\$ 5,907,420	2,120,328	1,401,494	110,925	3,411,198	12,951,365
<b>EXPENDITURES</b>						
Current:						
General government	\$ 3,259,050				1,301	3,260,351
Public safety	1,923,472				597,777	2,521,249
Public works		1,990,802	1,222,886		1,227,964	4,441,652
Health and welfare	150,024				118,047	268,071
Culture and recreation	554,100			287,284	78,874	920,258
Conservation of natural resources	91,052					91,052
Economic development & assistance	64,750				82,506	147,256
Debt service:						
Principal	110,948		125,655		742,445	979,048
Interest	25,226		15,450		529,753	570,429
Other					7,314	7,314
Total Expenditures	6,178,622	1,990,802	1,363,991	287,284	3,385,981	13,206,680
Excess of Revenues Over (Under) Expenditures	(271,202)	129,526	37,503	(176,359)	25,217	(255,315)

**NESHOPA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR-ENDED SEPTEMBER 30, 2006**

	Major Funds					Total Governmental Funds
	General Fund	County Unit Road Fund	Countywide Bridge and Culvert Fund	Park Fund	Other Governmental Funds	
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	\$ 203,362					203,362
Sale of property		31,208				31,208
Compensation for loss of capital assets	62,713					62,713
Transfers in	1,600					1,600
Transfers out					(1,600)	(1,600)
Total Other Financing Sources and Uses	267,675	31,208			(1,600)	297,283
Net Changes in Fund Balances	(3,527)	160,734	37,503	(176,359)	23,617	41,968
<b>Fund Balance - Beginning</b>	549,539	114,871	14,807	3,950,218	1,062,070	5,691,505
<b>Fund Balance - Ending</b>	546,012	275,605	52,310	3,773,859	1,085,687	5,733,473

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

**NESHOPA COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 41,968

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$1,669,376 exceeded depreciation (\$878,532) in the current period. 790,844

In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$2,955 and the proceeds from the sale of \$25,883 in the current period. (28,838)

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. 139,208

Debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount the debt repayments \$979,048 exceeded debt proceeds \$203,362. 775,686

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

	(648)		
Compensated absences			
Accrued interest to bonds	(15,585)	(16,233)	
Change in Net Assets of Governmental Activities (Exhibit 2)	\$	1,702,635	

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

**NESHOBA COUNTY  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
SEPTEMBER 30, 2006**

**Business-type Activities-Enterprise Fund**

		<u><b>Solid Waste Fund</b></u>
<b>ASSETS</b>		
Current assets:		
Cash	\$	26,410
Accounts receivable, net		47,024
Total Current Assets		<u>73,434</u>
Noncurrent assets:		
Capital assets, net		114,291
Total Noncurrent Assets		<u>114,291</u>
Total Assets		<u>187,725</u>
<b>LIABILITIES</b>		
Current liabilities:		
Claims payable		21,831
Due to other funds		27,593
Advances from other funds		129,825
Total Current Liabilities		<u>179,249</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		114,291
Unrestricted (deficit)		<u>(105,815)</u>
Total Net Assets	\$	<u><u>8,476</u></u>

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

**NESHOBA COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND  
SEPTEMBER 30, 2006**

**Business-type Activities-Enterprise Fund**

		<u><b>Solid Waste Fund</b></u>
<b>Operating Revenues</b>		
Charges for services	\$	264,692
Miscellaneous revenues		1,951
Total Operating Revenue		<u>266,643</u>
 <b>Operating Expenses</b>		
Personal services		90,352
Contractual services		107,268
Materials and supplies		49,467
Depreciation expense		19,395
Indirect administrative cost		27,593
Total Operating Expenses		<u>294,075</u>
Operating Loss		<u>(27,432)</u>
 <b>Nonoperating Revenues (Expenses)</b>		
Interest income		814
Net Nonoperating Revenue		<u>814</u>
Net Loss Before Capital Contributions, Special and Extraordinary Items and Transfers		<u>(26,618)</u>
Changes in Net Assets		<u>(26,618)</u>
 <b>Net Assets - Beginning</b>		<u>35,094</u>
 <b>Net Assets - Ending</b>	\$	<u><u>8,476</u></u>

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

NESHOPA COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
SEPTEMBER 30, 2006

Business-type Activities-Enterprise Fund

		<u>Enterprise Fund Solid Waste</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$	260,724
Payments to suppliers		(158,687)
Payments to employees		(114,789)
Other operating cash receipts		1,951
Net Cash Provided by Operating Activities		<u>(10,801)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grants received		<u>15,280</u>
Net Cash Provided by Noncapital Financing Activities		<u>15,280</u>
<b>Cash Flows from Investing Activities</b>		
Interest and dividends on investments		<u>814</u>
Net Cash Provided by Investing Activities		<u>814</u>
Net Increase in Cash and Cash Equivalents		5,293
Cash and Cash Equivalents at Beginning of Year		<u>21,117</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>26,410</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>		
Operating loss	\$	(27,432)
Adjustments to reconcile operating income to net cash provided (used)		
by operating activities:		
Depreciation expense		19,395
Changes in assets and liabilities:		
Increase in accounts receivable		(3,968)
Decrease in claims payable		(1,952)
Increase in interfund payables		<u>3,156</u>
Total Adjustments		<u>16,631</u>
Net Cash Provided by Operating Activities	\$	<u><u>(10,801)</u></u>

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

NESHOBA COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
SEPTEMBER 30, 2006

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 107,801
Total Assets	<u>107,801</u>
<b>LIABILITIES</b>	
Intergovernmental payables	107,801
Total Liabilities	\$ <u><u>107,801</u></u>

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

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**1. Summary of Significant Accounting Policies.**

**A. Financial Reporting Entity**

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

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

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

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

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**B. Individual Component Unit Disclosures**

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, this component unit is reported as if it is part of the primary government. The following component unit 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 part of the primary government because its sole purpose is to finance and construct a jail for Neshoba County prisoners. The corporation did not have any activity for the year ended September 30, 2006.

**C. Basis of Presentation**

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

Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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 activities or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

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

The Government-wide Proprietary Fund and Fiduciary Fund financial statements are presented using the economic resources measurement focus and the accrual basis of 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 county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

The county reports the following major governmental funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

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

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

Park Fund – Accounts for monies that are restricted for park renovation and construction.

The county reports the following proprietary funds:

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

Additionally, the county reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

**PROPRIETARY FUND TYPES**

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

**FIDUCIARY FUND TYPES**

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

**E. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Government Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

**F. Deposits and Investments**

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

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**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 the interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**I. Capital Assets**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Government 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.

**NESHOBA COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Live</u>
Land	0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

**J. Long-term Liabilities**

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

In the government-wide financial statements and in the Proprietary Fund in the fund financial statements, long-term debts and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Assets.

**K. Equity Classifications**

Government-wide Financial Statements:

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

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

**Fund Financial Statements:**

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

**L. Property Tax Revenues**

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

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**M. Intergovernmental Revenues in Governmental Funds**

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

**N. Compensated Absences**

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

**2. Deposits**

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$6,150,734 and the bank balance was \$6,163,836. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**3. Interfund Transactions and Balances**

The following is a summary of interfund balances at September 30, 2006:

**A. Due from/to Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 27,593
County Unit Road Fund	General Fund	68,043
Countywide Bridge Fund	General Fund	28,871
Other governmental funds	General Fund	<u>32,960</u>
Total		<u>\$ 157,467</u>

The amount due to the general fund from the solid waste fund represents indirect administrative costs incurred during the September 30, 2006, fiscal year. The amount payable to the general fund, county road fund, countywide bridge fund, and non-major governmental funds represents ad valorem taxes collected by the tax collector in September 2006, but not remitted to the county until October 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

**B. Advances from/to Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 75,692
County Unit Road Fund	Solid Waste Fund	<u>54,133</u>
Total		<u>\$ 129,825</u>

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

**C. Transfers In/Out:**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>1,600</u>

The purpose of the interfund transfers was to provide funds for administrative services. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**4. Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2006, consisted of the following:

**Governmental Activities:**

<u>Description</u>	<u>Amount</u>
Legislative tax credit due tax collector	\$ 129,807
Federal Emergency Management Agency	188,051
Other	<u>7,729</u>
Total Governmental Activities	\$ <u>325,587</u>

**5. Capital Assets**

The following is a summary of capital asset activity for the year ended September 30, 2006:

<b>Governmental Activities:</b>	<b>Balance</b>			<b>Reclass-</b>	<b>Balance</b>
	<b>10/1/05</b>	<b>Additions</b>	<b>Deletions</b>	<b>ifications</b>	<b>9/30/06</b>
<u>Non-depreciable capital assets:</u>					
Land	\$ 434,373				434,373
Construction in progress	<u>1,103,578</u>	<u>1,155,933</u>	-	<u>(1,074,028)</u>	<u>1,185,483</u>
Total Non-depreciable Capital Assets	<u>1,537,951</u>	<u>1,155,933</u>	-	<u>(1,074,028)</u>	<u>1,619,856</u>
<u>Depreciable capital assets:</u>					
Roads and bridges	2,643,925			1,074,028	3,717,953
Buildings and improvements	13,442,149	72,809			13,514,958
Mobile equipment	4,799,865	223,230	( 247,765)	97,700	4,873,030
Furniture and equipment	881,258	13,995		70,487	965,740
Leased property under capital leases	<u>1,407,890</u>	<u>203,409</u>	-	<u>( 168,187)</u>	<u>1,443,112</u>
Total Depreciable Capital Assets	<u>23,175,087</u>	<u>513,443</u>	<u>( 247,765)</u>	<u>1,074,028</u>	<u>24,514,793</u>
<u>Less accumulated depreciation for:</u>					
Roads and bridges	131,542	102,317			233,859
Buildings and improvements	2,527,458	344,858			2,872,316
Mobile equipment	3,531,951	184,731	( 218,927)	87,930	3,585,685
Furniture and equipment	544,030	88,767		127,539	760,336
Leased property under capital leases	<u>436,531</u>	<u>157,859</u>	-	<u>( 215,469)</u>	<u>378,921</u>
Total Accumulated Depreciation	<u>7,171,512</u>	<u>878,532</u>	<u>( 218,927)</u>	<u>-</u>	<u>7,831,117</u>
Total Depreciable Capital Assets, Net	<u>16,003,575</u>	<u>( 365,089)</u>	<u>( 28,838)</u>	<u>1,074,028</u>	<u>16,683,676</u>
Governmental Activities Capital Assets, Net	\$ <u>17,541,526</u>	<u>790,844</u>	<u>( 28,838)</u>	<u>-</u>	<u>18,303,532</u>

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<b>Business-type Activities:</b>	<b>Balance</b>			<b>Reclass-</b>	<b>Balance</b>
	<b>10/1/05</b>	<b>Additions</b>	<b>Deletions</b>	<b>ifications</b>	<b>9/30/06</b>
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 564,341	-	-	-	564,341
Total Depreciable Capital Assets	<u>564,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>564,341</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	430,655	19,395	-	-	450,050
Total Accumulated Depreciation	<u>430,655</u>	<u>19,395</u>	<u>-</u>	<u>-</u>	<u>450,050</u>
Total Depreciable Capital Assets, Net	<u>133,686</u>	<u>( 19,395)</u>	<u>-</u>	<u>-</u>	<u>114,291</u>
Business-type Activities Capital Assets, Net	<u>\$ 133,686</u>	<u>( 19,395)</u>	<u>-</u>	<u>-</u>	<u>114,291</u>

Adjustments to capital assets were made as reclassifications between asset categories.

Depreciation expense was charged to the following functions:

Governmental Activities:	<b><u>Amount</u></b>
General government	\$ 239,811
Public safety	218,243
Public works	288,463
Culture and recreation	107,621
Economic development	<u>24,394</u>
Total Governmental Activities Depreciation Expense	<u>\$ 878,532</u>
Business-type Activities:	
Solid waste	\$ <u>19,395</u>
Total Business-type Activities Depreciation Expense	<u>\$ 19,395</u>

There were no commitments with respect to unfinished capital projects at September 30, 2006.

**6. Claims and Judgments**

**Risk Financing**

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

sustaining through member premiums. The retention for the pool is \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**7. Capital Leases**

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006.

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,297,750
Furniture and equipment	<u>145,362</u>
Total	1,443,112
Less: Accumulated depreciation	<u>378,921</u>
 Leased Property Under Capital Leases	 \$ <u>1,064,191</u>

The following is a schedule by years of the total payments due as of September 30, 2006.

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 238,261	21,865
2008	220,750	14,594
2009	153,449	6,218
2010	88,533	1,755
2011	<u>6,059</u>	<u>580</u>
Total	\$ <u>707,052</u>	<u>45,012</u>

**8. Long-term Debt**

Debt outstanding as of September 30, 2006, consisted of the following:

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**Governmental Activities**

	<u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>
A. <b><u>Description and Purpose</u></b>			
General Obligation Bonds:			
Park construction – 2005	\$ 3,870,000	3.6/4.0%	06/25
Nursing home bonds – 2001	1,885,000	5.5/4.0%	03/16
Refunding bonds – 1999	2,030,000	3.8/4.8.0%	03/16
Courthouse construction	3,320,000	4.2/6.0%	10/21
Library renovation	<u>555,000</u>	3.0/4.25%	08/12
Total General Obligation Bonds	\$ <u>11,660,000</u>		

**Governmental Activities:**

	<u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>
B. <b><u>Capital Leases:</u></b>			
5 Crown Victoria police cars	\$ 44,201	3.15%	06/08
5 GMC 2004 1500 pickups	32,494	3.15%	06/08
Pumper truck	1,729	4.75%	10/06
2 crown Vic II Vans	54,623	3.74%	06/10
Image Pro 2005	70,110	3.80%	09/10
Freightliner MC chasis	27,196	3.24%	09/09
VTD4 Pumper	37,158	3.24%	09/09
VTD4 Pumper	52,017	3.24%	06/10
Road equipment	83,388	3.09%	11/09
Road equipment	129,266	3.09%	11/09
Road equipment	93,965	3.515%	09/10
Sheriff truck	15,443	3.24%	03/08
Voting machines	<u>65,462</u>	3.74%	09/10
Total Capital Leases	\$ <u>707,052</u>		

C. <b><u>Other Loans:</u></b>			
MDA Cap Imp Rev Loan spec building	\$ 415,402	3%	10/14
TVA Loan spec building	<u>333,106</u>	2%	09/14
Total Other Loans	\$ <u>748,508</u>		

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

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**Governmental Activities:**

<u>Year Ending September 30,</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 660,000	492,595	46,104	18,494
2008	695,000	462,877	91,303	17,839
2009	730,000	431,039	94,802	14,350
2010	765,000	397,201	97,216	11,936
2011	805,000	362,317	99,694	9,458
2012-2016	4,215,000	1,269,087	319,389	12,658
2017-2021	2,390,000	566,949		
2022-2025	1,400,000	119,290	-	-
Total	<u>\$ 11,660,000</u>	<u>4,101,355</u>	<u>748,508</u>	<u>84,735</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 8% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	<u>Balance</u>			<u>Amount Due</u>	
	<u>10/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/06</u>	<u>Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 72,304	648		72,952	
General obligation bonds	12,340,000		680,000	11,660,000	660,000
Capital leases	757,994	203,362	254,304	707,052	238,260
Other loans	793,252	-	44,744	748,508	46,104
Total	<u>\$ 13,963,550</u>	<u>204,010</u>	<u>979,048</u>	<u>13,188,512</u>	<u>944,364</u>

**9. 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.

**NESHOBA COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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.

**10. No Commitment Debt (Note Included in Financial Statements)**

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county’s name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county’s own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at</u> <u>09/30/06</u>
Neshoba County Hospital	\$ <u>88,377</u>

**11. Jointly Governed Organizations**

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Neshoba County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$491,803 for the maintenance and support of the college in fiscal year 2006.

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 2006.

East Central Community Action Agency, Inc., operates in a district composed of the counties of Leake, Neshoba, Rankin, Scott and Smith. The Neshoba County Board of Supervisors appoints two of the 30 board members. The county provided no financial support in fiscal year 2006.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$17,419 for support of the district in fiscal year 2006.

**NESHOBA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$21,338 for support of the commission in fiscal year 2006.

**12. Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006, was 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$370,244, \$330,158, and \$286,529, respectively, equal to the required contributions for each year.

**13. Subsequent Event**

Subsequent to September 30, 2006, Neshoba County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/18/06	4.07%	\$ 249,500	Lease Purchase	Hancock Bank
12/18/06	4.07%	258,970	Lease Purchase	Hancock Bank
12/18/06	4.07%	261,000	Lease Purchase	Hancock Bank
02/05/07	4.07%	197,480	Lease Purchase	Hancock Bank
02/05/07	4.07%	17,950	Lease Purchase	Hancock Bank
03/19/07	4.18%	60,684	Lease Purchase	Hancock Bank
03/19/07	4.07%	58,800	Lease Purchase	Hancock Bank
04/16/07	4.18%	30,048	Lease Purchase	Hancock Bank
05/16/07	3.95%	250,000	Short-term Note	Hancock Bank

**NESHOBA COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**NESHOBA COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**(NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 4,091,216	4,079,012	4,079,012	
Licenses, commissions and other revenue	212,000	249,280	249,280	
Fines and forfeitures	295,000	330,097	330,097	
Intergovernmental revenues	875,000	776,754	776,754	
Charges for services	200,000	130,371	130,371	
Interest income	17,000	17,871	17,871	
Miscellaneous revenues	62,593	365,445	378,429	12,984
Total Revenues	<u>5,752,809</u>	<u>5,948,830</u>	<u>5,961,814</u>	<u>12,984</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,953,335	2,943,297	2,954,975	(11,678)
Public safety	1,908,903	1,939,511	1,939,511	
Health and welfare	153,864	165,190	165,190	
Culture and recreation	480,908	512,138	512,138	
Conservation of natural resources	87,259	91,362	91,362	
Economic development and assistance	160,740	141,336	129,658	11,678
Total Expenditures	<u>5,745,009</u>	<u>5,792,834</u>	<u>5,792,834</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>7,800</u>	<u>155,996</u>	<u>168,980</u>	<u>12,984</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources		14,482	1,498	(12,984)
Other financing uses	(7,800)			
Total Other Financing Sources and Uses	<u>(7,800)</u>	<u>14,482</u>	<u>1,498</u>	<u>(12,984)</u>
Net Change in Fund Balance		170,478	170,478	
Fund Balances - Beginning	<u>846,200</u>	<u>545,068</u>	<u>549,539</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 846,200</u>	<u>715,546</u>	<u>720,017</u>	<u>0</u>

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

**NESHOBA COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**(NON-GAAP BASIS)**  
**COUNTY UNIT ROAD FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 406,500	422,505	422,505	
Licenses, commissions and other revenue	330,500	390,190	379,732	10,458
Intergovernmental revenues	500,000	524,456	534,914	(10,458)
Interest income		76	76	
Miscellaneous revenues	28,000	671,768	666,519	5,249
Total Revenues	<u>1,265,000</u>	<u>2,008,995</u>	<u>2,003,746</u>	<u>5,249</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,265,000	1,972,773	1,972,773	
Total Expenditures	<u>1,265,000</u>	<u>1,972,773</u>	<u>1,972,773</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>0</u>	<u>36,222</u>	<u>30,973</u>	<u>5,249</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	0	25,959	31,208	(5,249)
Total Other Financing Sources and Uses	<u>0</u>	<u>25,959</u>	<u>31,208</u>	<u>(5,249)</u>
Net Change in Fund Balance	0	62,181	62,181	
Fund Balances - Beginning	<u>50,000</u>	<u>(3,003)</u>	<u>114,871</u>	<u>117,874</u>
Fund Balances - Ending	<u>\$ 50,000</u>	<u>59,178</u>	<u>177,052</u>	<u>117,874</u>

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

**NESHOPA COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**(NON-GAAP BASIS)**  
**COUNTY-WIDE BRIDGE AND CULVERT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,247,637	1,345,727	1,345,727	
Interest income		1,185	1,185	
Miscellaneous revenues		139,512	139,512	0
Total Revenues	<u>1,247,637</u>	<u>1,486,424</u>	<u>1,486,424</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>1,247,637</u>	<u>1,365,268</u>	<u>1,365,268</u>	
Total Expenditures	<u>1,247,637</u>	<u>1,365,268</u>	<u>1,365,268</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>0</u>	<u>121,156</u>	<u>121,156</u>	<u>0</u>
Net Change in Fund Balance		121,156	121,156	
Fund Balances - Beginning	<u>50,000</u>	<u>(95,531)</u>	<u>14,807</u>	<u>110,338</u>
Fund Balances - Ending	<u>\$ 50,000</u>	<u>25,625</u>	<u>135,963</u>	<u>110,338</u>

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

**NESHOBA COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**(NON-GAAP BASIS)**  
**PARK FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenues	\$ 2,000,000			
Interest income		110,925	110,925	
Total Revenues	<u>2,000,000</u>	<u>110,925</u>	<u>110,925</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	5,966,352	287,284	287,284	
Total Expenditures	<u>5,966,352</u>	<u>287,284</u>	<u>287,284</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,966,352)</u>	<u>(176,359)</u>	<u>(176,359)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources				
Other financing uses	0	50,218	0	(50,218)
Total Other Financing Sources and Uses	<u>0</u>	<u>50,218</u>	<u>0</u>	<u>(50,218)</u>
Net Change in Fund Balance	(3,966,352)	(126,141)	(176,359)	(50,218)
Fund Balances - Beginning	<u>3,966,352</u>	<u>3,900,000</u>	<u>3,950,218</u>	<u>50,218</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>3,773,859</u>	<u>3,773,859</u>	<u>0</u>

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

**NESHOBA COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Notes to the Required Supplementary Information

**A. Budgetary Information.**

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

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

**B. Basis of Presentation.**

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

**C. Budget/GAAP Reconciliation.**

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

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

**NESHOBA COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>County Unit Road Fund</u>	<u>County-wide Bridge and Culvert Fund</u>	<u>Park Fund</u>
Budget (Cash Basis)	\$ 170,478	62,181	121,156	(176,359)
Increase (Decrease)				
Net adjustments for revenue accruals	( 83,911)	116,583	( 84,930)	
Net adjustments for expenditure accruals	( 90,094)	( 18,030)	1,277	-
GAAP Basis	\$( <u>3,527</u> )	<u>160,734</u>	<u>37,503</u>	<u>(176,359)</u>

**NESHOBA COUNTY**

**SUPPLEMENTAL INFORMATION**

**NESHOBA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<u>Federal Agency Pass-through Entity/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<b>MAJOR FEDERAL AWARDS</b>			
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Rural Development Agency:			
Community Facilities Loans and Grants	10.766	N/A	\$ 100,000
<b><u>U.S. Department of Transportation</u></b>			
Passed through Mississippi Department of Transportation:			
Highway Planning and Construction	20.205	ER-0050(31)B	90,961
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through Mississippi Emergency Management Agency:			
Public Assistance Grants (Presidentially Declared Disasters)	97.036	FEMA-1604-dr-ms	294,131
Total Expenditures of Major Federal Awards			<u>485,092</u>
<b>OTHER FEDERAL AWARDS</b>			
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Mississippi Development Authority:			
HOME Investment Partnership Program	14.239	1118-01-050-EDIF-01/ 1263-MO1-SG-28-01-1026	88,640
<b><u>National Highway Traffic Safety Administration</u></b>			
Passed through Mississippi Public Safety:			
State and Community Highway Safety	20.600	06-TA-150-1	37,220
<b><u>Election Assistance Commission</u></b>			
Passed through the Mississippi Secretary of State's Office:			
Help America Vote Act Requirements payments	90.401	N/A	149,664
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through Mississippi Department of Health:			
Rural Access to Emergency Devices Grant	93.259	N/A	13,803
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through Mississippi Emergency Management Agency:			
State Domestic Preparedness Equipment Support Program	97.004	3SSGR-4006	30,000
Emergency Management Assistance Grant	97.042	6EMP	23,709
Homeland Security Grant Program (A)	97.069	05HS050/04CS050	69,220
Law Enforcement Terrorism Prevention Program	97.074	05LE050/04LE050	12,175
Total U.S. Department of Homeland Security			<u>135,104</u>
Total Expenditures of Other Federal Awards			<u>424,431</u>
Total for all Federal Awards			<u>\$ 909,523</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

- Note 1. Significant Accounting policies**  
The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.
- Note 2. Help America Vote Act Requirements Payments (CFDA #90.401)**  
Of the federal expenditures presented in the schedule, Federal awards totaling \$149,664 represented non cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

**NESHOBA COUNTY**

**SPECIAL REPORTS**



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

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 Kenny Dickerson, CPA

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

Members of the Board of Supervisors  
 Neshoba County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of and for the year ended September 30, 2006 which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated August 29, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance which we have reported to the management of Neshoba County, Mississippi, in the Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 29, 2007, included within this document.

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

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 29, 2007





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIRMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERENAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Neshoba County, Mississippi

Compliance

We have audited the compliance of Neshoba County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. Neshoba County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Neshoba County, Mississippi's management. Our responsibility is to express an opinion on Neshoba County, Mississippi's compliance based on our audit.

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

In our opinion, Neshoba County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Neshoba County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Neshoba County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

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

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 29, 2007

*Watkins, Ward and Stafford PLLC*



**WATKINS, WARD and STAFFORD**

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Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Kenny Dickerson, CPA

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

Members of the Board of Supervisors  
Neshoba County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Neshoba County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Neshoba County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Neshoba County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 29, 2007

*Watkins, Ward and Stafford, PLLC*

**NESHOBA COUNTY**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2006**

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

**NESHOBA COUNTY**  
**Schedule of Emergency Purchases**  
**For the Year Ended September 30, 2006**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/11/05	Repair Generator	\$22,143	Twin States Electric	Emergency repair required due to hurricane damage.

**NESHOBA COUNTY**  
**Schedule of Purchases Made Noncompetitively From a Sole Source**  
**For the Year Ended September 30, 2006.**

Our test results did not identify any purchases made non-competitively from a sole source.



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
Gary C. Hamilton, CPA  
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Michael L. Pierce, CPA  
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John N. Russell, CPA  
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**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW  
MANAGEMENT REPORT**

Members of the Board of Supervisors  
Neshoba County, Mississippi

In planning and performing our audit of the financial statements of Neshoba County, Mississippi for the year ended September 30, 2006, we considered Neshoba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Neshoba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 29, 2007, on the financial statements of Neshoba County, Mississippi.

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

The result of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Chancery Clerk

1. Finding

Section 27-45-5 of the Mississippi Code, regarding the disposition of redemption funds, states in part, "...it shall be the duty of the clerk to draw on such funds upon such checks as herein provided in payment of all amounts due the officers and purchasers out of said

Chancery Clerk (continued)

funds. He shall first pay the officers entitled to their costs, fees and damages which are allowed to said officers by law; and he shall then pay to the purchasers at any such tax sale, the full amount due him as provided by law..." Upon examination of the land redemption account, it was noted that the chancery clerk paid fees directly to an independent contractor who would not be considered an officer of the county.

Recommendation

We recommend that the chancery clerk comply with Section 27-45-5 of the Mississippi Code and settle any deposits for redemption funds to the appropriate officers or purchasers. Any independent contractor should be paid from the chancery clerk's fee account for work performed.

Chancery Clerk's Response

I will comply with Section 27-45-5 as of October, 2007.

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

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 29, 2007

*Watkins, Ward and Stafford, PLLC*

**NESHOBA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

NESHOBA COUNTY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued on the primary government financial statements:   | Unqualified |
| 2. Internal control over financial reporting:  |             |
| A. Material weakness identified  | No          |
| B. Reportable condition identified that is not considered to be a material weakness? | No          |
| 3. Noncompliance material to the primary government financial statement:             | No          |

Federal Awards:

- |   |             |
|---|-------------|
| 4. Internal control over major programs:  |             |
| A. Material weakness identified?  | No          |
| B. Reportable condition identified that is not considered to be a material weakness?  | No          |
| 5. Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 6. Any audit findings reported as required by Section .510(a) of Circular A-133?  | No          |
| 7. Federal program identified as a major program:   |             |
| A. Community Facilities Loans and Grants, CFDA # 10.766   |             |
| B. Highway Planning and Construction, CFDA # 20.205   |             |
| C. Public Assistance Grants, CFDA # 97.036  |             |
| 8. The dollar threshold used to distinguish between type A and type B Programs:   | \$300,000   |
| 9. Auditee qualified as a low-risk auditee?   | No          |
| 10. Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB Circular A-133? | No          |

**NESHOBA COUNTY**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2006  
(Continued)**

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

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