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CHICKASAW COUNTY, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**CHICKASAW COUNTY**  
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CHICKASAW COUNTY

FINANCIAL SECTION



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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
 Chickasaw 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 Chickasaw County, Mississippi, as of and for the year ended September 30, 2013, 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 is not reasonably determinable.

## **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 Chickasaw County, Mississippi, as of September 30, 2013, 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 Chickasaw County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

### *Supplemental and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chickasaw County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 June 26, 2014, on our consideration of Chickasaw County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chickasaw County, Mississippi's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Okolona, Mississippi  
June 26, 2014

*Watkins, Ward and Stafford, PLLC*

CHICKASAW COUNTY

FINANCIAL STATEMENTS

**CHICKASAW COUNTY**  
**Statement of Net Position**  
**September 30, 2013**

Exhibit 1

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 1,786,124	853,992	2,640,116
Property tax receivable	3,417,930		3,417,930
Fines receivable, net	419,919		419,919
Intergovernmental receivables	354,930	442,023	796,953
Other receivables, net	95,722	7,745	103,467
Prepaid insurance	32,923		32,923
Deferred charges - debt issuance costs	61,356	431,734	493,090
Restricted assets - cash		899,596	899,596
Capital assets, net	10,247,969	9,292,835	19,540,804
Total assets	\$ 16,416,873	11,927,925	28,344,798
<b>LIABILITIES</b>			
Claims payable	\$ 574,705	234,984	809,689
Claims and judgements payable	436,994		436,994
Intergovernmental payables	118,681		118,681
Accrued interest payable	19,982	10,250	30,232
Deferred revenue	3,417,930		3,417,930
Other payables	20,029		20,029
Long-term liabilities			
Due within one year:			
Capital related debt	794,506	510,954	1,305,460
Non-capital related debt	-		-
Due in more than one year:			
Capital related debt	3,302,444	9,658,177	12,960,621
Non-capital related debt	161,143		161,143
Total liabilities	8,846,414	10,414,365	19,260,779
<b>NET POSITION</b>			
Net investment in capital assets	6,151,019	(876,296)	5,274,723
Restricted for:			
Expendable:			
General government	134,926		134,926
Debt service	114		114
Public safety	601,576	2,389,856	2,991,432
Culture and recreation	245		245
Conservation of natural resources	31,970		31,970
Unrestricted	650,609		650,609
Total Net Position	\$ 7,570,459	1,513,560	9,084,019

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

CHICKASAW COUNTY  
Statement of Activities  
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
<b>Governmental Activities</b>					
General government	\$ 3,143,249	909,751	-	-	(2,233,498)
Public safety	2,107,587	2,257	638,224	-	(1,467,106)
Public works	2,715,579	211,077	756,231	113,627	(1,634,644)
Health and welfare	202,255		126,037	-	(76,218)
Culture and recreation	45,976				(45,976)
Conservation of natural resources	101,841		15,488		(86,353)
Economic development and assistance	55,395		-		(55,395)
Interest on long-term debt	186,812				(186,812)
Total governmental activities	<u>8,558,694</u>	<u>1,123,085</u>	<u>1,535,980</u>	<u>113,627</u>	<u>(5,786,002)</u>
<b>Business-type Activities</b>					
Chickasaw County Regional Correctional Facility	3,325,288	4,050,767		40,593	766,072
Total business-type activities	<u>3,325,288</u>	<u>4,050,767</u>	<u>-</u>	<u>40,593</u>	<u>766,072</u>
Total primary government	\$ <u>11,883,982</u>	<u>5,173,852</u>	<u>1,535,980</u>	<u>154,220</u>	<u>(5,019,930)</u>
			<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Changes in Net Position:					
Net (expense) / revenue			\$ (5,786,002)	766,072	(5,019,930)
<b>General revenues:</b>					
Property taxes			4,528,952		4,528,952
Road & bridge privilege taxes			197,161		197,161
Grants and contributions not restricted to specific programs			361,737		361,737
Unrestricted gifts and donations			200		200
Unrestricted interest income			5	3,005	3,010
Miscellaneous			494,197	58,779	552,976
Transfers			196,346	(196,346)	-
Total General Revenues and Transfers			<u>5,778,598</u>	<u>(134,562)</u>	<u>5,644,036</u>
Change in net position			(7,404)	631,510	624,106
Net Position, Beginning			7,577,863	882,050	8,459,913
Net Position, Ending			\$ <u>7,570,459</u>	<u>1,513,560</u>	<u>9,084,019</u>

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

**CHICKASAW COUNTY**  
**Balance Sheet - Governmental Funds**  
**September 30, 2013**

Exhibit 3

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>County Wide Road Maint. Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 644,161	1,431	1,140,532	1,786,124
Property tax receivable	2,586,777	95,983	735,170	3,417,930
Fines receivable (net of allowance for uncollectibles of \$1,816,944)	419,919	-	-	419,919
Intergovernmental receivables	85,620	28,695	25,615	139,930
Other receivables, net	69,685	-	26,037	95,722
Due from other funds	-	-	15,306	15,306
Total Assets	<u>\$ 3,806,162</u>	<u>126,109</u>	<u>1,942,660</u>	<u>5,874,931</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 345,838	82,256	146,611	574,705
Intergovernmental payables	118,681	-	-	118,681
Due to other funds	15,306	-	-	15,306
Deferred revenue	3,006,696	95,983	735,170	3,837,849
Other payables	20,029	-	-	20,029
Total Liabilities	<u>3,506,550</u>	<u>178,239</u>	<u>881,781</u>	<u>4,566,570</u>
Fund Balances:				
Restricted:				
General government			134,926	134,926
Public safety			601,576	601,576
Public works			272,066	272,066
Culture and recreation			245	245
Conservation of natural resources			31,970	31,970
Debt service			20,096	20,096
Unassigned	299,612	(52,130)		247,482
Total Fund Balances	<u>299,612</u>	<u>(52,130)</u>	<u>1,060,879</u>	<u>1,308,361</u>
Total Liabilities and Fund Balances	<u>\$ 3,806,162</u>	<u>126,109</u>	<u>1,942,660</u>	<u>5,874,931</u>

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

CHICKASAW COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2013

	<u>Amount</u>
<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 1,308,361</b>
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 \$8,658,410	10,247,969
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	419,919
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	32,923
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,258,093)
Deferred charges - bond issuance costs	61,356
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds	(19,982)
Intergovernmental receivable for the payment of a lawsuit is not available to pay for current period expenditures and, therefore, is not reported in the funds.	215,000
Settlement of a lawsuit is not due and payable in the current period and, therefore, is not reported in the funds	(436,994)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u><u>7,570,459</u></u></b>

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

## CHICKASAW COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
September 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	County Wide Road Maint. Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 3,405,583	127,829	995,540	4,528,952
Road and bridge privilege taxes	-	197,161	-	197,161
Licenses, commissions, and other revenue	391,316	-	226,840	618,156
Fines and forfeitures	371,739	-	49,439	421,178
Intergovernmental revenues	466,522	1,042,704	287,320	1,796,546
Charges for services	-	2,000	177,816	179,816
Interest income	5	-	-	5
Miscellaneous revenues	352,787	8,357	91,786	452,930
Total Revenues	<u>4,987,952</u>	<u>1,378,051</u>	<u>1,828,741</u>	<u>8,194,744</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,734,531	-	399,518	3,134,049
Public safety	1,387,850	-	709,909	2,097,759
Public works	-	1,852,479	849,119	2,701,598
Health and welfare	202,255	-	-	202,255
Culture and recreation	-	-	45,976	45,976
Conservation of natural resources	101,841	-	-	101,841
Economic development and assistance	55,395	-	-	55,395
Debt service:				
Principal	20,751	105,676	435,113	561,540
Interest	1,650	15,021	113,790	130,461
Other	-	-	2,790	2,790
Total Expenditures	<u>4,504,273</u>	<u>1,973,176</u>	<u>2,556,215</u>	<u>9,033,664</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>483,679</u>	<u>(595,125)</u>	<u>(727,474)</u>	<u>(838,920)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of capital lease	-	379,668	261,119	640,787
Proceeds from sale of capital assets	1	79,149	40,000	119,150
Compensation for loss of capital assets	10,098	2,968	4,096	17,162
Transfers in	-	180,000	512,346	692,346
Transfers out	(338,000)	-	(158,000)	(496,000)
Total Other Financing Sources (Uses)	<u>(327,901)</u>	<u>641,785</u>	<u>659,561</u>	<u>973,445</u>
Net Change in Fund Balances	<u>155,778</u>	<u>46,660</u>	<u>(67,913)</u>	<u>134,525</u>
Fund Balances - Beginning	<u>143,834</u>	<u>(98,790)</u>	<u>1,128,792</u>	<u>1,173,836</u>
Fund Balances - Ending	<u>\$ 299,612</u>	<u>(52,130)</u>	<u>1,060,879</u>	<u>1,308,361</u>

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

CHICKASAW 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, 2013

Net Changes in Fund Balances - Governmental Funds \$ 134,525

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 capital outlays of \$1,135,847 exceeded current depreciation of \$772,543 in the current period. 363,304

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 proceeds of \$640,787 exceeded debt repayments of \$561,540. (79,247)

In the Statement of Activities, only gains and losses from the sale or disposal of capital assets are reported, whereas in the Governmental Funds, losses from the sale or disposal of capital assets decrease financial resources. Thus, the change in net position differs from the change in fund balance by the amount of the gain on the disposal of capital assets \$47,561 less the proceeds received \$136,312. (88,751)

Fine revenue recognized on the modified accrual basis in the funds during the current year is decreased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. (102,361)

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 increase in compensated absences liability	(8,519)	
The amortization of bond issuance costs.	(8,961)	
The settlement of a lawsuit	(221,994)	
The amortization of bond premium.	2,955	
The amount of decrease in accrued interest payable.	1,645	(234,874)

Change in Net Position of Governmental Activities \$ (7,404)

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

CHICKASAW COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2013

Exhibit 5

	Business-type Activities - Proprietary Fund Chickasaw County Regional Correctional Facility
<b>ASSETS</b>	
Current assets:	
Cash	\$ 853,992
Intergovernmental receivables	442,023
Other receivables, net	7,745
Total current assets	<u>1,303,760</u>
Non-current assets:	
Deferred charges - bond issue costs	431,734
Restricted assets - cash	899,596
Capital assets:	
Land and construction-in-progress	-
Other capital assets, net	9,292,835
Total non-current assets	<u>10,624,165</u>
Total Assets	<u>\$ 11,927,925</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	\$ 234,984
Accrued interest payable	10,250
Capital debt	
Other long-term liabilities	510,954
Total current liabilities	<u>756,188</u>
Non-current liabilities:	
Capital debt	
Other long-term liabilities	9,658,177
Total non-current liabilities	<u>9,658,177</u>
Total Liabilities	<u>10,414,365</u>
<b>NET POSITION</b>	
Net investment in capital assets	(876,296)
Restricted for:	
Public safety	2,389,856
Total Net Position	<u>\$ 1,513,560</u>

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

CHICKASAW COUNTY  
Statement of Revenues, Expenses, and Changes in  
Net Position - Proprietary Fund  
For the Year Ended September 30, 2013

Exhibit 6

	Business-type Activities - Proprietary Fund Chickasaw County Regional Correctional Facility
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,050,767
Miscellaneous	56,465
Total operating revenues	<u>4,107,232</u>
<b>OPERATING EXPENSES</b>	
Personal services	1,529,039
Contractual services	435,301
Utilities	275,391
Repairs and maintenance	113,502
Other supplies and expense	69,593
Depreciation	203,780
Insurance	285,753
Miscellaneous	20,598
Total operating expenses	<u>2,932,957</u>
Operating income (loss)	<u>1,174,275</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	3,005
Intergovernmental grants	40,593
Insurance proceeds	2,314
Interest expense	(364,971)
Transfer to governmental funds	(196,346)
Fiscal agent fees	(2,690)
Amortization of bond issue costs	(24,670)
Total non-operating revenues (expenses)	<u>(542,765)</u>
Change in net position	<u>631,510</u>
Net Position, beginning	<u>882,050</u>
Net Position, ending	<u>\$ 1,513,560</u>

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

CHICKASAW COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activities - <u>Proprietary Fund</u> Chickasaw County Regional Correctional Facility
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 4,179,427
Payments to suppliers	(1,289,650)
Payments to employees	(1,529,039)
Net Cash Flows from Operating Activities	<u>1,360,738</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Intergovernmental grants	40,593
Transfer to other funds	(196,346)
Net Cash Flows from Noncapital Financing Activities	<u>(155,753)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	(57,955)
Principal payment on capital debt	(496,160)
Interest payment on capital debt	(524,006)
Insurance proceeds	2,314
Net Cash Flows from Capital and Related Financing Activities	<u>(1,075,807)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Proceeds from sale and maturities of investments	895,000
Interest on deposits	3,005
Net Cash Flows from Investing Activities	<u>898,005</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,027,183
Cash and Cash Equivalents at Beginning of Year	<u>726,405</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,753,588</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 1,174,275
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	203,780
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	76,369
(Increase) decrease in other receivables	(4,174)
Increase (decrease) in claims payable	(89,512)
Total Adjustments	<u>186,463</u>
Net Cash Provided (Used) by Operating Activities	<u>1,360,738</u>

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

CHICKASAW COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 51,799
Total Assets	<u>51,799</u>
<b>LIABILITIES</b>	
Intergovernmental Payables	\$ 51,799
Total Liabilities	<u>\$ 51,799</u>

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

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Chickasaw 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 Chickasaw 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 the county's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

Shearer-Richardson Memorial Nursing Home  
Thorn Fire Department  
South East Chickasaw Fire District

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

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

B. 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.

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 non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

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.

C. 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.

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

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 Wide Road Maintenance Fund – This fund is used to account for state aid and non-state aid road resources received that are restricted for improvements to county roads and bridges.

The county reports the following major Enterprise Fund:

Chickasaw County Regional Correctional Facility Fund - This fund is used to account for the county's activities of operating the correctional facility.

Additionally, the County reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

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

**PROPRIETARY FUND TYPE**

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

**FIDUCIARY FUND TYPE**

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

D. Account Classifications.

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

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." 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."

H. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Restricted Assets

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the county's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "capitalized interest" account is funded by bank bond proceeds and is used to pay the related interest due on revenue bonds prior to the completion of construction of the project. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. The "project fund" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "startup costs" account is used to report resources set aside to provide funds required to fund startup costs associated with the project. The "bond issuance expense" account is used to segregate resources set aside to pay bond issue cost. When

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Chickasaw 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:

	<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.

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

K. 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

L. 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."

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 restricted and unassigned. The following are descriptions of fund classifications used by the county.

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

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

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

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

M. 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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. 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

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

requirements exist, revenue recognition depends on compliance with these requirements.

O. **Compensated Absences.**

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

(2) **Deposits**

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$3,591,511, and the bank balance was \$3,650,780. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(3) **Interfund Transactions and Balances.**

The following is a summary of interfund balances at September 30, 2013:

A. **Due From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 15,306
Total		<u>\$ 15,306</u>

The receivables represent the tax revenue collected but not settled until October, 2013. All interfund balances are expected to be repaid within one year from the date of the financial statements.

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

B. Transfers in/Out:

Transfer In	Transfer Out	Amount
Countywide Road Maintenance Fund	General	\$ 142,000
Countywide Road Maintenance Fund	Other Governmental Funds	38,000
Other Governmental Funds	General	196,000
Other Governmental Funds	Other Governmental Funds	120,000
Other Governmental Funds	Proprietary Fund	<u>196,346</u>
Total		<u>\$ 692,346</u>

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013 consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
State aid road reimbursement	\$ 215,000
Legislative tax credit	56,794
Other state receivables	50,647
Receivables from local governments	28,667
U.S. Dept. of Justice grant	<u>3,822</u>
Total Governmental Activities	<u>\$ 354,930</u>
<b>Business-type Activities:</b>	
State reimbursement for housing inmates	\$ 366,943
Local government reimbursement for housing inmates	<u>75,080</u>
Total Business-type Activities	<u>\$ 442,023</u>

(5) Restricted Assets.

The balance of the restricted asset accounts in the enterprise fund is as follows:

Description	Amount
Debt service reserve	\$ 899,596
Total restricted assets	<u>\$ 899,596</u>

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013.

Governmental Activities:	Balance			Balance
	Oct. 1, 2012	Additions	Deletions	Sept. 30, 2013
<u>Non-depreciable capital assets:</u>				
Land	\$ 396,098		1,000	395,098
Total non-depreciable capital assets	<u>396,098</u>	-	<u>1,000</u>	<u>395,098</u>
<u>Depreciable capital assets:</u>				
Infrastructure	5,913,416	237,715		6,151,131
Buildings	5,440,435			5,440,435
Mobile equipment	5,431,084	222,424	549,909	5,103,599
Furniture and equipment	563,805	35,921		599,726
Leased property under capital lease	576,603	639,787		1,216,390
Total depreciable capital assets	<u>17,925,343</u>	<u>1,135,847</u>	<u>549,909</u>	<u>18,511,281</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	1,303,878	179,654		1,483,532
Buildings	2,230,515	70,322		2,300,837
Mobile equipment	4,029,122	333,073	462,158	3,900,037
Furniture and equipment	468,876	42,366		511,242
Leased property under capital leases	315,634	147,128		462,762
Total accumulated depreciation	<u>8,348,025</u>	<u>772,543</u>	<u>462,158</u>	<u>8,658,410</u>
Total depreciable capital assets, net	<u>9,577,318</u>	<u>363,304</u>	<u>(87,751)</u>	<u>9,852,871</u>
Governmental activities capital assets, net	<u>\$ 9,973,416</u>	<u>363,304</u>	<u>(86,751)</u>	<u>10,247,969</u>
<u>Business-type Activities:</u>				
<u>Non-depreciable capital assets:</u>				
Construction in progress	\$ 750,586	38,094	788,680	-
Total non-depreciable capital assets	<u>750,586</u>	<u>38,094</u>	<u>788,680</u>	<u>-</u>
<u>Depreciable capital assets:</u>				
Infrastructure	-	788,680		788,680
Buildings	9,035,171			9,035,171
Mobile Equipment	22,359	19,861		42,220
Total depreciable capital assets	<u>9,057,530</u>	<u>808,541</u>	<u>-</u>	<u>9,866,071</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	-	15,774		15,774
Buildings	361,406	180,406		541,812
Mobile equipment	8,050	7,600		15,650
Total accumulated depreciation	<u>369,456</u>	<u>203,780</u>	<u>-</u>	<u>573,236</u>
Total depreciable capital assets, net	<u>8,688,074</u>	<u>604,761</u>	<u>-</u>	<u>9,292,835</u>
Business-type activities capital assets, net	<u>\$ 9,438,660</u>	<u>642,855</u>	<u>788,680</u>	<u>9,292,835</u>

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 81,392
Public safety	227,559
Public works	463,592
Total governmental activities depreciation expense	\$ 772,543
 <b>Business-type activities:</b>	
Correctional facility	\$ 203,780
Total business-type activities depreciation expense	\$ 203,780

(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, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of property</u>	<u>Amount</u>
Mobile Equipment	\$ 1,216,390
Less: Accumulated Depreciation	<u>(462,762)</u>
Leased property under capital lease	<u>\$ 753,628</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 244,844	26,133
2015	71,896	19,311
2016	74,564	16,643
2017	77,338	13,869
2018	<u>313,787</u>	<u>8,282</u>
Total	<u>\$ 782,429</u>	<u>84,238</u>

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(9) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
Road Improvement Refunding Bonds, Series 2012	\$ 1,020,000	0.75/2.00%	6/01/19
General Obligation Refunding Bonds, Series 2008	<u>1,926,000</u>	3.99%	8/01/23
Total General Obligation Bonds	<u>\$ 2,946,000</u>		
<b>B. Capital Leases:</b>			
Komatsu excavator	15,138	3.44%	3/25/14
International rear loader garbage truck	21,507	3.39%	7/25/14
Tractor and bushhog	793	3.64%	10/16/13
(2) Mack dump trucks	139,070	3.34%	8/25/14
AS400 upgrade	51,711	2.20%	12/01/17
John Deere motor grader	190,999	3.95%	5/30/18
(2) John Deere motor graders	<u>363,211</u>	3.95%	5/31/18
Total Capital Leases	<u>\$ 782,429</u>		
<b>C. Other Loans:</b>			
E911 equipment	\$ 8,527	4.25%	2/12/14
WIN job center	21,560	3.90%	7/07/14
Fire Truck - CAP Loan	104,604	2.00%	12/01/20
Negotiable Note - Series 2012	37,917	2.33%	4/20/17
Negotiable Note - Series 2012	11,489	2.33%	7/20/17
Note Payable - (2) Mack tractors	<u>166,691</u>	1.87%	6/30/14
Total Other Loans	<u>\$ 350,788</u>		
<b>Business-type Activities:</b>			
<b>A. Limited Obligation Bonds:</b>			
Urban renewal revenue bonds	\$ 10,035,000	2.50-5.50%	4/01/31
Total Limited Obligation Bonds	<u>\$ 10,035,000</u>		
<b>B. Other Loans:</b>			
Negotiable Note - Series 2010	\$ 73,354	3.23%	9/07/15
Negotiable Note - Series 2010	<u>311,140</u>	3.81%	11/23/15
Total Other Loans	<u>\$ 384,494</u>		

Pledge of Future Revenues – The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$10,035,000 in limited obligation urban renewal bonds issued in April 2009. Proceeds from the bonds provided financing for the construction of the Chickasaw County Regional Correctional Facility. The bonds are not a general obligation of the county, and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

state prisoners and income derived from any other government for housing and holding prisoners and are payable through April 1, 2031. Annual principal and interest payments on the bonds are expected to require less than 24 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$15,665,225. Principal and interest paid for the current year and total inmate housing net revenues were \$710,953 and \$4,050,767, respectively.

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
2014	\$ 326,000	97,247	223,662	6,021
2015	332,000	87,524	27,470	2,391
2016	339,000	77,560	28,070	1,791
2017	350,000	67,318	23,513	1,198
2018	363,000	56,736	14,853	826
2019-2023	1,236,000	134,354	33,220	753
Total Governmental Activities	\$ 2,946,000	520,739	350,788	12,980

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 375,000	496,640	135,954	14,224
2015	385,000	483,515	140,925	9,253
2016	400,000	469,270	107,615	4,100
2017	415,000	453,270	-	-
2018	435,000	436,255	-	-
2019-2023	2,495,000	1,859,100	-	-
2024-2028	3,185,000	1,169,550	-	-
2029-2033	2,345,000	262,625	-	-
Total Business-type Activities	\$ 10,035,000	5,630,225	384,494	27,577

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, 2013, the amount of outstanding debt was equal to 4% of the latest property assessments.

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

Governmental Activities:	Balance			Balance Sept. 30, 2013	Amount due Within one Year
	Oct. 1, 2012	Additions	Reductions		
Compensated absences	\$ 152,624	8,519		161,143	N/A
General obligation bonds	3,265,000		319,000	2,946,000	326,000
Add: Bond premium	20,688		2,955	17,733	N/A
Capital leases	271,617	640,787	129,975	782,429	244,844
Other loans	463,353		112,565	350,788	223,662
<b>Total</b>	<b>\$ 4,173,282</b>	<b>649,306</b>	<b>564,495</b>	<b>4,258,093</b>	<b>794,506</b>
Business-type Activities:					
Limited obligation bonds	\$ 10,400,000		365,000	10,035,000	375,000
Less: Bond discounts	(264,670)		14,307	(250,363)	N/A
Other Loans	515,654		131,160	384,494	135,954
<b>Total</b>	<b>\$ 10,650,984</b>	<b>-</b>	<b>510,467</b>	<b>10,169,131</b>	<b>510,954</b>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Reappraisal Fund, 911 Emergency Service Fund and Solid Waste Fund.

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balance at September 30, 2013:

Fund	Deficit Amount
County Wide Road Maintenance Fund	\$ 52,130
Reappraisal Fund	20,505
Solid Waste Fund	11,259

(11) Contingencies.

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

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

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(12) Joint Venture.

The county participates in the following joint venture:

Chickasaw County is a participant with Pontotoc and Calhoun Counties in the Dixie Regional Library System, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate libraries. The joint venture is governed by a board that is composed of five members appointed by the three Boards of Supervisors as follows: two of the counties at any time have two board appointed members, while the third county has one of the board members. The county with one member gets to fill the next vacant seat. No single county ever has a majority of the board members. By contractual agreement, the three counties contribute approximately 53% of the library's operating budget. Chickasaw County appropriated \$75,934 for fiscal year 2013. Complete financial statements for the Dixie Regional Library System can be obtained from Dixie Regional Library System, 111 North Main Street, Pontotoc, MS 38863-2103.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District provides services for the following counties: Calhoun, Chickasaw, Lafayette, Lee, Monroe, Pontotoc, and Union. The Chickasaw County Board of Supervisors appoints five of the forty members to the board. The county appropriated \$23,837 for fiscal year 2013.

Northeast Mental Health-Mental Retardation Commission is a separate legal entity. The following counties are participants: Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc, and Union. Each county Board of Supervisors appoints one member. The county appropriated \$29,380 for fiscal year 2013.

Itawamba Community College operates in a district composed of the following counties: Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Chickasaw County Board of Supervisors appoints six of the thirty members of the college board of trustees. The county appropriated \$454,550 for maintenance and support of the college for fiscal year 2013.

(14) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2013, PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended

**CHICKASAW COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$590,584, \$504,400, and \$459,107, respectively, equal to the required contributions for each year.

(15) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from the estimates.

(16) 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 Chickasaw County evaluated the activity of the County through June 26, 2014, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

On March 27, 2014, litigation involving a suit brought by Ausbern Construction Company, Inc. vs. Chickasaw County Board of Supervisors, concerning a breach of contract, was settled. The jury found in favor of Ausbern Construction Company, Inc. and awarded them \$387,794 for the breach of contract and \$49,200 in penalties and interest for a total award of \$436,994.

The county has recorded the expenditure and associated liability in the financial statements ending September 30, 2013. The claim payable to Ausbern Construction Co., Inc., in the amount of \$436,994, will be partially paid by state aid funds in the amount of \$215,000, which is also recorded in the financial statements ending September 30, 2013. The remaining \$221,994 will be financed by Three Rivers at a 3% interest rate.

CHICKASAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

**CHICKASAW COUNTY**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2013**

	<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	\$ 3,442,139	3,404,485	3,404,485	
Licenses, commissions and other revenue	381,400	372,833	372,833	
Fines and forfeitures	311,500	370,834	370,834	
Intergovernmental revenues	460,924	454,905	454,905	
Miscellaneous revenues	312,035	392,932	392,932	
Total Revenues	<u>4,907,998</u>	<u>4,995,989</u>	<u>4,995,989</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,015,886	2,790,084	2,790,084	
Public safety	1,349,916	1,380,954	1,380,954	
Health and welfare	197,130	198,928	198,928	
Conservation of natural resources	107,654	102,020	102,020	
Economic development and assistance	58,337	54,896	54,896	
Debt service:				
Principal	20,751	20,751	20,751	
Interest	1,650	1,650	1,650	
Total Expenditures	<u>4,751,324</u>	<u>4,549,283</u>	<u>4,549,283</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>156,674</u>	<u>446,706</u>	<u>446,706</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		10,098	10,098	
Proceeds from sale of capital assets		1	1	
Transfers out		(338,000)	(338,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(327,901)</u>	<u>(327,901)</u>	<u>0</u>
Net Change in Fund Balance	156,674	118,805	118,805	
Fund Balances - Beginning	458,142	482,332	482,332	
Fund Balances - Ending	<u>\$ 614,816</u>	<u>601,137</u>	<u>601,137</u>	<u>0</u>

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

**CHICKASAW COUNTY**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County Wide Road Maintenance Fund**  
**For the Year Ended September 30, 2013**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 125,961	127,829	127,829	
Road and bridge privilege taxes	202,000	197,161	197,161	
Intergovernmental revenues	672,150	1,301,343	1,301,343	
Charges for services		2,000	2,000	
Miscellaneous revenues	4,500	8,356	8,356	
Total Revenues	<u>1,004,611</u>	<u>1,636,689</u>	<u>1,636,689</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	986,114	1,788,358	1,788,358	
Debt service:				
Principal	90,415	106,872	106,872	
Interest	9,790	13,825	13,825	
Total Expenditures	<u>1,086,319</u>	<u>1,909,055</u>	<u>1,909,055</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(81,708)</u>	<u>(272,366)</u>	<u>(272,366)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		2,968	2,968	
Proceeds from sale of capital assets		79,149	79,149	
Transfers in	81,708	180,000	180,000	
Total Other Financing Sources and Uses	<u>81,708</u>	<u>262,117</u>	<u>262,117</u>	<u>0</u>
Net Change in Fund Balance	0	(10,249)	(10,249)	
Fund Balances - Beginning	245,294	249,514	249,514	
Fund Balances - Ending	<u>\$ 245,294</u>	<u>239,265</u>	<u>239,265</u>	<u>0</u>

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

**CHICKASAW COUNTY**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2013**

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 118,805	(10,249)
Increase (Decrease)		
Net adjustments for revenue accruals	(8,038)	178,355
Net adjustments for expenditure accruals	45,011	(121,446)
Other reconciling items:		
Public works expenditures from the inception of capital leases		379,668
Other financing sources - Proceeds from inception of capital leases		(379,668)
	\$ 155,778	46,660
GAAP Basis	\$ 155,778	46,660

**CHICKASAW COUNTY**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2013**

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2013:

<u>Fund</u>	<u>Excess</u>
County Wide Road Maintenance Fund	\$ 379,668
County Wide Bridge and Culvert Fund	199,621
Interface Fund	61,498

All the funds listed above, are in violation of Section 19-11-17, Miss. Code Ann. (1972).

CHICKASAW COUNTY

SUPPLEMENTAL INFORMATION

**CHICKASAW COUNTY**  
**Reconciliation of Operating Costs of Solid Waste**  
**For the Year Ended September 30, 2013**

Operating Expenditures, Cash Basis:

Salaries	\$ 134,015
Expendable Commodities:	
Gasoline and petroleum	58,900
Repair parts	19,803
Clothing	376
Maintenance	15,413
Interest	<u>1,191</u>

Solid Waste Cash Basis Operating Expenditures 229,698

Full Cost Expenses:

Indirect administrative costs	4,381
Depreciation on equipment	26,262
Net effect of other accrued expenses	<u>(11,706)</u>

Total Full Cost Expenses 18,937

Solid Waste Full Cost Operating Expenses \$ 248,635

CHICKASAW COUNTY

OTHER INFORMATION

**CHICKASAW COUNTY**  
**Schedule of Surety Bonds for County Officials**  
**For the Year Ended September 30, 2013**  
**UNAUDITED**

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Bond</b>
Anderson McFarland	Supervisor - 1st District	Briarfield/FCCI	\$100,000
David Gene Walters	Supervisor - 2nd District	Briarfield/FCCI	\$100,000
Russell Brooks	Supervisor - 3rd District	Western Surety	\$100,000
Jerry Hall	Supervisor - 4th District	Western Surety	\$100,000
Russell King	Supervisor - 5th District	Briarfield/FCCI	\$100,000
Wanda Sweeney	County Administrator	Western Surety	\$100,000
Wanda Sweeney	Chancery Clerk	Western Surety	\$100,000
Tommie Morgan	Purchase Clerk	Western Surety	\$75,000
Janice Smith	Assistant Purchase Clerk	Briarfield/FCCI	\$50,000
Deloise Rhodes	Receiving Clerk	Briarfield/FCCI	\$75,000
Wanda Sweeney	Inventory Control Clerk	Briarfield/FCCI	\$75,000
Kenneth Funderburk	Road Manager	Western Surety	\$50,000
Billy Voyles	Constable - 1st District	Western Surety	\$50,000
Crossley Ford	Constable - 2nd District	Western Surety	\$50,000
Sandra Willis	Circuit Clerk	Briarfield/FCCI	\$100,000
Jimmy Simmons	Sheriff	Briarfield/FCCI	\$100,000
Garry Turner	Justice Court Judge - 1st District	Western Surety	\$50,000
Judy Posey	Justice Court Judge - 2nd District	Western Surety	\$50,000
Sue Ard	Tax Assessor-Collector	Western Surety	\$100,000

CHICKASAW COUNTY

SPECIAL REPORTS



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

James L. Stafford, CPA	Robin Y. McCormick, CPA/PFS
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Michael L. Pierce, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
	Robert E. Cordle, Jr., CPA

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  
Chickasaw 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 Chickasaw County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 26, 2014.

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 Chickasaw County, Mississippi's internal control over financial reporting 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 the County'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.

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 13-01, 13-02, 13-03, 13-04, and 13-05 to be material weaknesses.

**Compliance and Other Matters**

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

#### **Chickasaw County's Responses to Findings**

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

Watkins, Ward and Stafford, PLLC  
Okolona, Mississippi  
June 26, 2014

*Watkins, Ward and Stafford, PLLC*



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

Members of the Board of Supervisors  
Chickasaw County, Mississippi

We have examined Chickasaw County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Chickasaw County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Chickasaw 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, Chickasaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Chickasaw 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  
Okolona, Mississippi  
June 26, 2014

*Watkins, Ward and Stafford, PLLC*

CHICKASAW COUNTY  
 Schedule of Purchases Not Made From the Lowest Bidder  
 For the Year Ended September 30, 2013

Schedule 1

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than The Lowest Bid
4/4/2013	Crushed limestone	\$11.00/ton	Vulcan Materials Company, Inc.	\$10.50/ton	Original vendor could not supply the rock when it was requested

CHICKASAW COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases

CHICKASAW COUNTY  
Schedule of Purchases Made Noncompetively From a Sole Source  
For the Year Ended September 30, 2013

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
4/1/2013	Cameras for sheriff patrol cars	\$ 22,001	Digital Ally, Inc.



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Chickasaw County, Mississippi

In planning and performing our audit of the financial statements of Chickasaw County, Mississippi for the year ended September 30, 2013, we considered the Chickasaw 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 Chickasaw 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 June 26, 2014, on the financial statements of Chickasaw County, Mississippi.

Due to the reduced scope, these review procedures and compliance test 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 test 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 instances of non-compliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors

1. All transactions for the county should be reflected in the final amended budget.

Finding

During the fiscal year, the county acquired equipment by incurring debt in the form of three capital leases. These transactions by the county were not recorded in the general ledger nor reflected in the county's final amended budget. As required by Section 19-11-17, Miss Code Ann. (1972), no expenditures shall be made or liabilities incurred in excess of the budget estimates finally approved by the board. Due to the inception of these capital leases, liabilities and expenditures were incurred in excess of the budget estimates in the final amended budget for the county.

Recommendation

The Board of Supervisors should ensure that all transactions for the county are recorded in the general ledger and reflected in the final amended budget to ensure compliance with budgeting requirements set forth in Section 19-11-17, Miss Code Ann. (1972), and to ensure that the county does not incur debt that could be inadequately funded in the subsequent budgetary years.

Response

The Board of Supervisors will ensure that all transactions for the county are recorded in the general ledger and appropriately reflected in the final amended budget.

Sheriff Department

2. The Sheriff Department should file a monthly report of daily inmate meals served with the Board of Supervisors in accordance with state law.

Finding

As reported in the prior year's audit report, the Sheriff Department has not filed a monthly report of daily inmate meals served with the Board of Supervisors, as required in Section 19-25-74, Miss Code Ann. (1972). The Sheriff Department should prepare and file a monthly report of daily inmate meals served and hours of the day the meals are served with the Board of Supervisors to comply with Section 19-25-74, Miss Code Ann. (1972). The Sheriff Department created an electronic form to calculate the number of daily meals served, replacing the manual version that tallied both daily and monthly inmate meals served. An accompanying monthly report was not created to be submitted to the Board. No claims related to the cost of feeding prisoners should have been approved by the Board of Supervisors if the monthly summary was not filed, per Section 19-25-74, Miss Code Ann. (1972).

Recommendation

The Sheriff Department should continue to calculate the number of inmate meals served on a daily basis, but should also compile a report of daily inmate meals served and hours of the day the meals are served and file the report on a monthly basis with the Board of Supervisors.

Response

The Sheriff Department will promptly compile a report of daily inmate meals served and hours of the day the meals are served and file the report on a monthly basis with the Board of Supervisors.

Chickasaw 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.

Watkins, Ward and Stafford, PLLC  
Okolona, Mississippi  
June 26, 2014

*Watkins, Ward and Stafford, PLLC*

CHICKASAW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

**CHICKASAW COUNTY**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2013**

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       |
|    | Each major fund  | Unmodified    |
|    | Aggregate remaining fund information                         | Unmodified    |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weakness(es) identified?                         | Yes           |
|    | b. Significant deficiency(ies) identified?                   | None reported |
| 3. | Noncompliance material to the financial statements noted?    | No            |

**CHICKASAW COUNTY**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2013**

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

The financial data for the county's component units needs to be reported in conjunction with the financial data for the primary government.

13-01 Finding

As reported in prior year's audit report, the financial data for the county's legally separate component units is not reported with the financial data for the county's primary government. 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. Management has chosen not to include the component units in the county's financial statements to preserve adequate funding for its legally separate component units. The omission of the financial data of the county's component units in the financial statements of the county may cause the financial statements to not properly reflect the financial position of the county. The failure to properly follow generally accepted accounting principles results in an adverse opinion on the discretely presented component units of the county.

Recommendation

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

Response

The Board of Supervisors chose not to present financial data for the legally separate component units of the county.

Material Weakness

Proper segregation of duties over general accounting functions should be implemented.

13-02 Finding

As reported in the prior year's audit report, cash disbursement, collection, deposit preparation, general journal, recording, and reconciling functions are not properly segregated to ensure an adequate internal control structure. An effective system of internal control over general accounting functions should include an adequate segregation of duties in the cash disbursement, collection, deposit preparation, general journal, recording, and reconciling functions. Due to an improperly designed internal control structure, both bookkeepers can receipt funds, prepare deposits, post receipts to the general ledger, process disbursements, and sign checks. In addition, one of the bookkeepers also records general journal entries and prepares the bank reconciliations. This significant deficiency, considered to be a material weakness, could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**CHICKASAW COUNTY**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2013**

Recommendation

The Board of Supervisors should implement an effective system of internal control over general accounting functions that provides a proper segregation of duties for cash disbursement, collection, deposit preparation, general journal, recording, and reconciling functions

Response

The Board of Supervisors will implement effective internal control policies as feasible. Due to limited financial resources, the county is not able to hire additional personnel to achieve the desirable segregation of duties.

Material Weakness

Proper segregation of duties over the payroll function should be implemented.

13-03 Finding

As reported in the prior year's audit report, the maintenance of the general ledger, processing of payroll, and other payroll duties are not properly segregated to ensure an adequate internal control structure. An effective system of internal control over the payroll function should include an adequate segregation of duties over all the payroll duties. Due to an improperly designed internal control structure, one bookkeeper inputs all payroll information in the master file, processes the payroll checks, has authority to sign the checks, prepares 941 forms, prepares W-2 forms, and reconciles the bank account, in addition to having responsibility for all general ledger functions. This significant deficiency, considered to be a material weakness, could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation

The Board of Supervisors should implement an effective system of internal controls over the payroll function that will ensure proper segregation of duties exists with respect to control of the general ledger, the processing of payroll, and other payroll duties.

Response

The Board of Supervisors will implement effective internal control policies as feasible. Due to limited financial resources, the county is not able to hire additional personnel to achieve the desirable segregation of duties.

Tax Assessor/Collector

Material Weakness

Proper segregation of duties over tax collections should be implemented in the Tax Assessor/Collector's office.

13-04 Finding

As reported in the prior year's audit report, cash collection, disbursement, recording, and reconciling functions in the Tax Assessor/Collector's office are not properly segregated to ensure an adequate internal control structure. An effective system of internal control over tax collections should include an adequate segregation of duties over cash collection, disbursement, recording and reconciling functions, and adequate physical safeguards over cash collections. Due to an improperly designed internal control structure, the head

**CHICKASAW COUNTY**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2013**

bookkeeper can collect money, disburse funds, prepare deposits, take the deposits to the bank, record transactions in the cash journal, and reconcile the bank accounts. This significant deficiency, considered to be a material weakness, could result in the loss of public funds.

Recommendation

The Tax Assessor/Collector should implement effective internal control policies over tax collections to ensure a proper segregation of duties in the cash collection, disbursement, recording, and reconciling functions.

Response

The Tax Assessor/Collector will implement effective internal controls as feasible with the available resources.

Justice Court Clerk

Material Weakness

Proper segregation of duties over collections should be implemented in the Justice Court Clerk's office.

13-05 Finding

As reported in the prior year's audit report, cash collection, disbursement, recording, and reconciling functions in the Justice Court Clerk's office are not properly segregated to ensure an adequate internal control structure. An effective system of internal control over collections in the Justice Court Clerk's office should include an adequate segregation of duties over the cash collection, disbursement, recording, and reconciling functions. All Justice Court Clerks and Deputy Clerks receipt funds, prepare deposits, calculate monthly settlement reports, post to cash journals, reconcile bank statements, and disburse funds. This significant deficiency, considered to be a material weakness, could result in the loss of public funds.

Recommendation

The Justice Court Clerk's office should implement an effective system of internal control over collections to ensure a proper segregation of duties over the cash collection, cash disbursement, recording, and reconciling functions.

Response

Due to limited personnel and financial resources, an adequate segregation of duties is not feasible in the Justice Court Clerk's office.