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CHOCTAW COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013**

CHOCTAW COUNTY
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CHOCTAW COUNTY

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
 Choctaw County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, (the County) 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 Choctaw 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, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of September 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2015, on our consideration of Choctaw County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Choctaw County, Mississippi's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 9, 2015

Watkins Ward and Stafford, PLLC

CHOCTAW COUNTY

FINANCIAL STATEMENTS

**Choctaw County
Statement of Net Position
September 30, 2013**

Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 3,827,978
Property tax receivable	3,994,225
Accounts receivable (net of allowance for uncollectibles of \$431,826)	33,994
Fines receivable (net of allowance for uncollectibles of \$384,116)	97,930
Loans receivable	59,568
Intergovernmental receivables	81,759
Other receivables	94,185
Deferred charges - bond issuance costs	666,667
Restricted assets	7
Capital assets:	
Land and construction in progress	1,819,332
Other capital assets, net	46,512,980
Total Assets	57,188,625
LIABILITIES	
Claims payable	1,033,896
Intergovernmental payables	48,795
Accrued interest payable	49,063
Deferred revenue	3,994,225
Unearned revenue	82,353
Other payables	15,320
Claims and judgments payable	48,739
Long-term liabilities	
Due within one year:	
Capital debt	1,069,294
Non-capital debt	59,568
Due in more than one year:	
Capital debt	15,060,090
Non-capital debt	28,819
Total Liabilities	21,490,162
NET POSITION	
Net investment in capital assets	32,202,928
Restricted:	
Expendable:	
General government	109,558
Debt service	901,173
Public safety	39,356
Public works	1,133,788
Culture and recreation	101,249
Unrestricted	1,210,411
Total Net Position	\$ 35,698,463

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

Choctaw County
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,088,445	87,731	4,168		(1,996,546)
Public safety	1,353,061	292,532	652,032		(408,497)
Public works	1,986,796	501,428	228,056	1,099,788	(157,524)
Health and welfare	1,683,196		64,416		(1,618,780)
Culture and recreation	59,289				(59,289)
Education	29,505				(29,505)
Conservation of natural resources	41,285				(41,285)
Economic development and assistance	12,500				(12,500)
Interest on long-term debt	1,017,781				(1,017,781)
Total Governmental Activities	8,271,858	881,691	948,672	1,099,788	(5,341,707)
General revenues:					
Property taxes				\$ 2,019,584	
Road & bridge privilege taxes				106,972	
Grants and contributions not restricted to specific programs				258,968	
Special assessments				2,477,413	
Unrestricted investment income				8,444	
Miscellaneous				1,220,732	
Special item - transfer from component unit				1,226,763	
Total General Revenues				7,318,876	
Changes in Net Position					1,977,169
Net Position - Beginning					33,658,217
Prior period adjustment(s)					63,077
Net Position - Beginning, as restated					33,721,294
Net Position - Ending					\$ 35,698,463

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

Choctaw County
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	District 2 Road Maintenance Fund	County Engineer Fund	Choctaw County Hospital Construction Fund	Other Governmental Funds	
ASSETS						
Cash	\$ 922,916	730,655		2	2,174,405	3,827,978
Investments				7		7
Property tax receivable	2,771,112	206,317			1,016,796	3,994,225
Accounts Receivable (net of allowance for uncollectibles of \$447,576)					33,994	33,994
Fines receivable (net of allowance for uncollectibles of \$391,559)	97,930					97,930
Loans receivable					59,568	59,568
Intergovernmental receivables	40,649	3,442	24,505		13,163	81,759
Other receivables	292				90,020	90,312
Due from other funds	3,873	19,553		176,787	12,348	212,561
Total Assets	\$ 3,836,772	959,967	24,505	176,796	3,400,294	8,398,334
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 86,548	431,895	24,505	176,796	314,152	1,033,896
Intergovernmental payables	48,795					48,795
Due to other funds	208,688					208,688
Deferred revenue	2,869,042	206,317			1,050,790	4,126,149
Unearned revenue					82,353	82,353
Other payables	15,320					15,320
Claims and judgments payable	48,739					48,739
Total Liabilities	3,277,132	638,212	24,505	176,796	1,447,295	5,563,940
Fund balances:						
Nonspendable:						
Loans receivable					59,568	59,568
Restricted for:						
General government					109,558	109,558
Public safety					39,356	39,356
Public works		321,755			812,033	1,133,788
Culture and recreation					101,249	101,249
Debt service					224,001	224,001
Assigned to:						
General government					21,235	21,235
Health and welfare					555,847	555,847
Economic development and assistance					30,152	30,152
Unassigned	559,640				-	559,640
Total Fund Balances	559,640	321,755	-	0	1,952,999	2,834,394
Total Liabilities and Fund Balances	\$ 3,836,772	959,967	24,505	176,796	3,400,294	8,398,334

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,834,394
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 \$61,314,017.	48,332,312
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	97,930
Accounts receivable	33,994
Deferred charges - bond issuance costs	666,667
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(16,217,771)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(49,068)
Total Net Position - Governmental Activities	<u>\$ 35,698,468</u>

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

Choctaw County
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2013

Exhibit 4

	Major Funds					Total Governmental Funds
	General Fund	District 2 Road Maintenance Fund	County Engineer Fund	Choctaw County Hospital Construction Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$ 1,367,191	106,323			546,070	2,019,584
Road and bridge privilege taxes	1,977	21,810			89,208	112,995
Licenses, commissions and other revenue	61,285				5,026	66,311
Fines and forfeitures	39,646					39,646
Special assessments	1,002,433	42,600			1,432,380	2,477,413
Intergovernmental revenues	373,281	260,782	1,218,285		451,034	2,308,382
Charges for services	199,399				584,787	784,186
Interest income	3,195			2,541	2,708	8,444
Miscellaneous revenues	173,483	285			1,033,197	1,206,965
Total Revenues	3,221,890	431,800	1,218,285	2,541	4,144,410	9,018,926
EXPENDITURES						
Current:						
General government	2,053,761				19,713	2,073,474
Public safety	1,039,613				193,722	1,233,335
Public works	3,939	579,434	1,218,285		1,617,406	3,419,064
Health and welfare	98,519			6,775,075	1,831,420	8,705,014
Culture and recreation	58,004					58,004
Education	29,505				-	29,505
Conservation of natural resources	41,285					41,285
Economic development and assistance	12,500					12,500
Debt service:						
Principal	6,742	16,524			334,469	357,735
Interest	1,249	583			786,973	788,805
Bond issue costs					687,500	687,500
Total Expenditures	3,345,117	596,541	1,218,285	6,775,075	5,471,203	17,406,221
Excess of Revenues over (under) Expenditures	(123,227)	(164,741)	-	(6,772,534)	(1,326,793)	(8,387,295)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	59,480				979,942	1,039,422
Refunding bonds issued					17,500,000	17,500,000
Proceeds from sale of capital assets	552	350,358			124,259	475,169
Premiums on bonds issued					164,379	164,379
Transfers in	354,908	45		1,891,406	563,357	2,809,716
Transfers out	(672,595)			(674,918)	(1,462,203)	(2,809,716)
Payment to bond refunding escrow agent					(16,749,556)	(16,749,556)
Total Other Financing Sources and Uses	(257,655)	350,403	-	1,216,488	1,120,178	2,429,414
SPECIAL ITEM						
Net Changes in Fund Balances	(380,882)	185,662	-	(5,556,046)	997,824	(4,753,442)
Fund Balances - Beginning	940,522	136,093	-	5,556,046	955,175	7,587,836
Fund Balances - Ending	\$ 559,640	321,755	-	-	1,952,999	2,834,394

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

Choctaw County
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (4,753,442)
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 \$9,367,763 exceeded depreciation of \$1,143,198 in the current period.	8,224,565
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$97,506 and the proceeds from the sale of \$475,169 in the current period.	(377,663)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(1,452)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	4,790
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 \$18,539,422 exceeded debt repayments of \$357,735.	(18,181,687)
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 the following:	
Bond issue costs	687,500
Bond premium	(164,379)
Payment to bond refunding escrow agent	16,749,556
Increase in compensated absences	(3,967)
Decrease in accrued interest payable	125,298
Amortization of bond issue costs	(260,784)
Amortization of bond premium	4,981
Amortization of deferred amount on bond refunding	(98,471)
Capital assets along with related long-term liabilities transferred from Component Unit (New Hospital and Medical Clinic) to the county	<u>22,324</u>
Change in Net Position of Governmental Activities	\$ <u><u>1,977,169</u></u>

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

**Choctaw County
Statement of Fiduciary Assets and Liabilities
September 30, 2013**

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 15,404
Total Assets	<u>\$ 15,404</u>
LIABILITIES	
Accounts payable	\$ 36
Intergovernmental payables	11,495
Due to other funds	3,873
Total Liabilities	<u>\$ 15,404</u>

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

CHOCTAW COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Choctaw 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 Choctaw 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.

- Choctaw County Economic Development District
- Choctaw County Hospital and Nursing Home

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 non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues.

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

CHOCTAW COUNTY

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

Fund Financial Statements:

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

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

The county reports the following major Governmental Funds:

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

District 2 Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance for District 2.

County Engineer Fund - This fund is used to account for funds received from the Office of State Aid Road Construction that are restricted for various state aid road projects.

Choctaw County Hospital Construction Fund - This is a capital projects fund used to account for the limited obligation revenue bonds and expenditures related to the construction of the new hospital and medical clinic buildings.

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.

CHOCTAW COUNTY

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

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.

Permanent Funds - These funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

FIDUCIARY FUND TYPES

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

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.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Restricted Assets.

Proceeds of the county's limited obligation revenue bonds are set aside for the completion of construction of the new hospital and medical clinic building. A portion of the proceeds of the county's limited obligation revenue bonds are set aside to pay interest accrued on the bonds during the course of construction of the new hospital and medical clinic building. When both restricted and non-restricted assets are available for use, the policy is to use the restricted assets first.

CHOCTAW COUNTY

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

I. Capital Assets.

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

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.

J. Long-term Liabilities.

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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.

CHOCTAW COUNTY

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

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.

K. 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 - Consists of 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 non-spendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

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

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

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as non-spendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by a board order established in the minutes of the Board of Supervisors meetings.

CHOCTAW COUNTY

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

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.

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

CHOCTAW COUNTY

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustment(s) is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To adjust beginning net position to record construction in progress that should have been added in the prior year	\$ 41,178
To adjust beginning net position to correct a prior period capital asset depreciation error	21,899
Total prior period adjustments	<u>\$ 63,077</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$3,827,978 and \$15,404 in governmental funds and fiduciary funds, respectively, and the bank balance was \$4,160,778. 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.

Investments:

Investments balances at September 30, 2013, are as follows:

Investment Type	Maturities	Fair Value	Rating
G/S Treasury Obligations Fund #506	Less than 1	\$ 7	Not rated
Total		<u>\$ 7</u>	

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

CHOCTAW COUNTY

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

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. As of September 30, 2013, the county did not have any investments to which this would apply.

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Agency Funds	\$ 3,873
District 2 Road Maintenance Fund	General Fund	19,553
Choctaw County Hospital Construction Fund	General Fund	176,787
Other Governmental Funds	General Fund	12,348
Total		\$ <u>212,561</u>

The receivables represent the tax revenue collected but not settled until October, 2013 and amounts due from the general fund to the Choctaw County Hospital Construction fund to cover a deficit fund balance. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Choctaw County Hospital Construction Fund	\$ 303,662
General Fund	Other Governmental Funds	51,246
District 2 Road Maintenance Fund	General Fund	45
Choctaw County Hospital Construction Fund	General Fund	480,449
Choctaw County Hospital Construction Fund	Other Governmental Funds	1,410,957
Other Governmental Funds	General Fund	192,101
Other Governmental Funds	Choctaw County Hospital Construction Fund	371,256
Total		\$ <u>2,809,716</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CHOCTAW COUNTY

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

(5) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 31,984
State of MS – Emergency Management	1,001
State of MS – Engineer Fees State Aid Road	24,505
State of MS – Petroleum	13,867
State of MS – Inmate Litter Program	1,099
State of MS – Motor Vehicle Licenses	5,663
State of MS – Timber Severance Tax	1,168
Local Prisoner Housing Reimbursements	1,102
Miscellaneous	1,370
Total Governmental Activities	\$ 81,759

(6) Loans Receivable.

Loans receivable balances at September 30, 2013, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Ackerman Forge	5/11/2007	3.00%	4/11/2014	\$ 59,568
Total				\$ 59,568

(7) Restricted Assets.

The balances of the restricted asset accounts in the debt service fund are as follows:

Choctaw County Hospital Interest Account	\$ 5
Choctaw County Hospital Principal Account	2
Total restricted assets	\$ 7

CHOCTAW COUNTY

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

(8) Capital Assets.

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

Governmental activities:

	Balance				Balance Sept. 30, 2013
	Oct. 1, 2012	Additions	Deletions	Adjustments	
<u>Non-depreciable capital assets:</u>					
Land	\$ 312,250	-	-	-	312,250
Construction in progress	6,818,391	7,886,202	-	(13,197,511)	1,507,082
Total non-depreciable capital assets	7,130,641	7,886,202	-	(13,197,511)	1,819,332
<u>Depreciable capital assets:</u>					
Infrastructure	80,936,361	-	-	-	80,936,361
Buildings	4,033,057	-	-	13,238,689	17,271,746
Improvements other than buildings	1,279,089	-	-	-	1,279,089
Mobile equipment	5,958,575	404,000	(628,678)	149,421	5,883,318
Furniture and equipment	480,952	369,021	(38,887)	52,933	864,019
Leased property under capital leases	896,761	708,540	-	(12,837)	1,592,464
Total depreciable capital assets	93,584,795	1,481,561	(667,565)	13,428,206	107,826,997
<u>Less accumulated depreciation for:</u>					
Infrastructure	53,323,745	219,621	-	-	53,543,366
Buildings	1,738,267	335,256	-	-	2,073,523
Improvements other than buildings	327,117	51,163	-	-	378,280
Mobile equipment	4,449,250	270,033	(251,403)	71,320	4,539,200
Furniture and equipment	387,650	93,133	(38,499)	19,056	461,340
Leased property under capital leases	188,360	173,992	-	(44,044)	318,308
Total accumulated depreciation	60,414,389	1,143,198	(289,902)	46,332	61,314,017
Total depreciable capital assets, net	33,170,406	338,363	(377,663)	13,381,874	46,512,980
Governmental activities capital assets, net	\$ 40,301,047	8,224,565	(377,663)	184,363	48,332,312

CHOCTAW COUNTY

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

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 45,021
Public safety	185,795
Public works	479,412
Health and welfare	431,685
Culture and recreation	1,285
	<hr/>
Total governmental activities depreciation expense	\$ 1,143,198

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Airport Grant Obstruction Removal	\$ 284	September 30, 2014
BYWY Radio Equipment and Tower	10,310	September 30, 2014
LSBP-10(10) Concrete Bridge Pisgah Road	6,302	September 30, 2014
LRSP-10(1) Maddox Road	78,925	September 30, 2014
BR-0010(23)BO Concrete Bridge Pigeon Roost Road	830,663	September 30, 2014

(9) 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.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$40,000, and the aggregate policy covers all submitted claims in excess of \$1,000,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2012 and 2013:

CHOCTAW COUNTY

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

	<u>2012</u>	<u>2013</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 20,940	8,858
Plus: Incurred Claims (Including IBNRs)	540,447	405,476
Less: Claims Payments	<u>(552,529)</u>	<u>(365,595)</u>
Unpaid Claims, End of Fiscal Year	\$ <u>8,858</u>	<u>48,739</u>

(10) Operating Leases.

As Lessor:

The county receives income from property it leases under operating leases. Total income from such leases was \$945,557 for the year ended September 30, 2013. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 932,104
Total Minimum Payments Required	\$ <u>932,104</u>

(11) 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>Governmental Activities</u>
Improvements	\$ 338,500
Mobile equipment	807,595
Furniture and equipment	<u>446,369</u>
Total	1,592,464
Less: Accumulated depreciation	<u>(318,308)</u>
Leased Property Under Capital Leases	\$ <u>1,274,156</u>

CHOCTAW COUNTY

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

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	\$ 300,644	25,286
2015	294,299	16,790
2016	237,005	9,478
2017	207,349	4,291
2018	81,144	883
2019 – 2023	4,453	9
Total	\$ 1,124,894	56,737

(12) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2013:

<u>Description of Debt</u>	<u>Balance Oct. 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2013</u>
Line of Credit with the Bank of Kilmichael accruing interest at an annual rate of 2.59%	\$ -	333,382	333,382	-	-
Total	\$ -	333,382	333,382	-	-

During the fiscal year ended September 30, 2013 the county established a line of credit with the Bank of Kilmichael to purchase various pieces of equipment for the Choctaw County Hospital. The county drew \$333,382 of these funds and on September 13, 2013 refinanced this line of credit to a loan payable in 60 monthly installments of \$5,929.90 accruing interest at an annual rate of 2.59%.

CHOCTAW COUNTY

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

(13) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
General Obligation Taxable Refunding Bonds, Series 2013	\$ 17,500,000	3.50%- 4.50%	9/01/2029
Total General Obligation Bonds	<u>\$ 17,500,000</u>		
B. Capital Leases:			
2013 Ford Interceptor Utility	\$ 27,355	5.50%	12/05/2017
EMA 2013 Ford F 250	27,925	2.27%	10/04/2018
Zetron Channel System	230,141	1.98%	5/07/2017
John Deere Backhoe 310 5J	25,319	1.70%	3/26/2015
CAT Motor Grader 12-m	108,992	1.98%	4/03/2017
CAT Motor Grader 12-m	40,593	1.70%	4/03/2015
Tractor and Bush Hog	71,978	2.17%	11/20/2017
2013 Ford F 150	22,950	2.27%	10/04/2018
Hospital Generator	293,276	2.17%	1/06/2018
CAT Motor Grader 12-m	202,000	2.27%	10/04/2018
22 Hospital Bed Systems	74,365	9.08%	9/08/2015
Total Capital Leases	<u>\$ 1,124,894</u>		
C. Other Loans:			
CAP Loan – Fire Truck Chester	\$ 3,663	2.00%	1/11/2014
CAP Loan – Fire Truck Reform	16,640	3.00%	1/20/2014
CAP Loan – Fire Truck Ackerman	38,509	3.00%	5/01/2017
CAP Loan – Ackerman Forge	59,568	3.00%	4/01/2014
CAP Loan – Fire Truck ByWy	44,952	2.00%	12/01/2017
CAP Loan – Fire Truck Weir	59,031	2.00%	9/01/2018
Hospital Equipment	333,381	2.59%	9/13/2018
Total Other Loans	<u>\$ 555,744</u>		

CHOCTAW COUNTY

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

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	\$ 845,000	588,750	170,199	11,891
2015	875,000	559,175	101,168	8,420
2016	905,000	532,925	99,386	5,954
2017	930,000	505,775	98,201	3,315
2018	955,000	477,875	86,790	1,169
2019 – 2023	5,170,000	2,005,587	-	-
2024 – 2028	6,045,000	1,130,425	-	-
2029 – 2033	1,775,000	79,875	-	-
Total	\$ 17,500,000	5,880,387	555,744	30,749

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 6.78% of the latest property assessments.

Advance Refunding - On April 12, 2013, the county issued \$17,500,000 in general obligation refunding bonds with an average interest rate of 3.3643% to advance refund \$13,500,000 of the following outstanding bond issue(s):

Issue	Average Interest Rate	Outstanding Amount Refunded
Hospital Revenue Bonds, Series 2011	7.7494%	\$ 13,500,000

The net proceeds of \$16,749,093 (after payment of \$687,500 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The county advance refunded the above bonds to reduce its total debt service payments over the next 15 years by almost \$1,043,881 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$726,302.

CHOCTAW 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:

	Balance Oct. 1, 2012	Additions	Reductions	Other Changes	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 24,853	-	-	3,967	28,820	-
General obligation bonds	-	17,500,000	-	-	17,500,000	845,000
Less:						
Deferred amt on refunding	-	(3,249,556)	(98,471)	-	(3,151,085)	(196,943)
Add:						
Premiums	-	164,379	4,981	-	159,398	9,962
Limited obligation bonds	13,500,000	-	-	(13,500,000)	-	-
Capital leases	554,744	706,040	234,852	98,962	1,124,894	300,644
Other loans	345,245	333,382	122,883	-	555,744	170,199
Total	\$ 14,424,842	15,454,245	264,245	(13,397,071)	16,217,771	1,128,862

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

(14) 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.

(15) Joint Ventures.

The county participates in the following joint ventures:

Choctaw County is a participant with the Counties of Clay, Lowndes, Noxubee, Oktibbeha, and Webster and the Cities of Ackerman, Columbus, Eupora, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Choctaw County Board of Supervisors appoints one of the fourteen members of the board of directors. Choctaw County did not appropriate any funds to the organization in the fiscal year 2013. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, P.O. Box 828, Starkville, Mississippi 39760-0828.

CHOCTAW COUNTY

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

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Choctaw County Board of Supervisors appoints two of the twenty-two members of the board of trustees. The county appropriated \$113,875 for maintenance and support of the college in fiscal year 2013.

The Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints four of the twenty-eight members of the board of directors. The county appropriated \$12,500 to the district in fiscal year 2013.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Choctaw County Board of Supervisors appoints one of the five members of the board of directors. The county appropriated \$47,000 to the district in fiscal year 2013.

The Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster, and Winston. The Choctaw County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$13,083 for support of the agency in fiscal year 2013.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the twenty-one members of the board of directors. Most of the funding for the district is derived from federal funds. The county provides a modest amount of financial support when matching funds are required for federal grants.

(17) Defined Benefit Pension Plan.

Plan Description. Choctaw 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 39201-0005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$259,882, \$225,252 and \$199,278, respectively, equal to the required contributions for each year.

CHOCTAW COUNTY

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

(18) 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 Choctaw County evaluated the activity of the county through February 9, 2015, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

- On January 31, 2014 Pioneer Health Services of Choctaw County, LLC announced that it was opting out of the operating lease of the Choctaw County Hospital due to the county. The county has contracted with a different management company to manage the county hospital as of the date of this report.
- On July 21, 2014 the board approved the purchase of a tractor and bush hog for District 4 under state contract pricing in the amount of \$63,362.
- On August 3, 2014 the board awarded bid to APAC in the amount of \$312,760 on the Breland Road Project.

Subsequent to September 30, 2013, the county issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/04/2013	2.27%	\$ 22,950	Capital Lease	Hancock Bank

(19) Special Items.

During the fiscal year ended September 30, 2013, the county received various Medicare/Medicaid reimbursements for operations for the Choctaw County Hospital and Nursing Home for the time period the hospital operated under the Board of Trustees appointed by the Choctaw County Board of Supervisors. The county also received equipment that was titled in the county's name for the Choctaw County Hospital. The debt for the leased equipment was also transferred to the county. See the breakdown of the amounts that are reported on the applicable exhibits below:

Exhibit 2 – Statement of Activities

Explanation	Amount
Cash transferred from hospital board of trustees hospital and medical clinic bank accounts	\$ 1,204,439
Furniture and equipment transferred from hospital board of trustees, net of accumulated depreciation	33,877
Leased equipment transferred from hospital board of trustees, net of accumulated depreciation	87,409
Principal owed on capital lease payable transferred with leased equipment from the hospital board of trustees	(98,962)
Total	<u>\$ 1,226,763</u>

CHOCTAW COUNTY

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

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

<u>Explanation</u>	<u>Amount</u>
Cash transferred from hospital board of trustees hospital and medical clinic bank accounts	\$ 1,204,439
Total	\$ <u>1,204,439</u>

CHOCTAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,331,963	1,370,205	1,370,205	-
Road and bridge privilege taxes	-	1,977	1,977	-
Licenses, commissions and other revenue	-	60,393	60,393	-
Fines and forfeitures	-	40,554	40,554	-
Special assessments	970,540	1,261,142	1,261,142	-
Intergovernmental revenues	263,800	367,673	367,673	-
Charges for services	-	203,077	203,077	-
Interest income	-	3,194	3,194	-
Miscellaneous revenues	-	162,310	162,310	-
Total Revenues	3,566,303	3,470,525	3,470,525	-
EXPENDITURES				
Current:				
General government	2,001,209	2,409,103	2,409,103	-
Public safety	918,130	1,049,655	1,049,655	-
Public works	2,800	3,571	3,571	-
Health and welfare	67,400	78,727	78,727	-
Culture and recreation	60,500	59,986	59,986	-
Conservation of natural resources	43,800	48,736	48,736	-
Economic development and assistance	468,814	12,500	12,500	-
Debt service:				
Principal	2,650	6,742	6,742	-
Interest	-	1,249	1,249	-
Total Expenditures	3,565,303	3,670,269	3,670,269	-
Excess of Revenues over (under) Expenditures	1,000	(199,744)	(199,744)	-
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	-	59,796	59,796	-
Proceeds from sale of capital assets	-	552	552	-
Transfers in	-	51,246	51,246	-
Transfers out	-	(40,274)	(40,274)	-
Total Other Financing Sources and Uses	-	71,320	71,320	-
Net Change in Fund Balance	1,000	(128,424)	(128,424)	-
Fund Balances - Beginning	800,000	1,124,227	1,124,227	-
Fund Balances - Ending	\$ 801,000	995,803	995,803	-

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

**Choctaw County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 2 Road Maintenance Fund
 For the Year Ended September 30, 2013**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 113,251	105,934	105,934	-
Road and bridge privilege taxes	-	22,143	22,143	-
Fines and forfeitures	20,000	-	-	-
Special assessments	40,000	42,600	42,600	-
Intergovernmental revenues	90,000	261,861	261,861	-
Miscellaneous revenues	2,800	284	284	-
Total Revenues	<u>266,051</u>	<u>432,822</u>	<u>432,822</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	356,969	178,911	178,911	-
Principal	-	16,501	16,501	-
Interest	-	606	606	-
Total Expenditures	<u>356,969</u>	<u>196,018</u>	<u>196,018</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(90,918)</u>	<u>236,804</u>	<u>236,804</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	350,358	350,358	-
Transfers in	-	5,007	5,007	-
Total Other Financing Sources and Uses	<u>-</u>	<u>355,365</u>	<u>355,365</u>	<u>-</u>
Net Change in Fund Balance	<u>(90,918)</u>	<u>592,169</u>	<u>592,169</u>	<u>-</u>
Fund Balances - Beginning	<u>135,918</u>	<u>157,761</u>	<u>157,761</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 45,000</u>	<u>749,930</u>	<u>749,930</u>	<u>-</u>

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

**Choctaw County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Engineer Fund
 For the Year Ended September 30, 2013**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 60,000	51,119	51,119	-
Total Revenues	<u>60,000</u>	<u>51,119</u>	<u>51,119</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	60,000	51,119	51,119	-
Total Expenditures	<u>60,000</u>	<u>51,119</u>	<u>51,119</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

CHOCTAW 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	District 2 Road Maintenance Fund	County Engineer Fund
Budget (Cash Basis)	\$ (128,424)	592,169	-
Increase (Decrease)			
Net adjustments for revenue accruals	54,711	(5,985)	1,842,828
Net adjustments for expenditure accruals	(307,169)	(400,522)	(7,398,874)
GAAP Basis	<u>\$ (380,882)</u>	<u>185,662</u>	<u>(5,556,046)</u>

CHOCTAW COUNTY

OTHER INFORMATION

CHOCTAW COUNTY
Schedule of Surety Bonds for County Officials (Unaudited)
For the Year Ended September 30, 2013

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Archie Collins	Supervisor District 1	Travelers	\$ 100,000
Larry McClain	Supervisor District 2	Travelers	\$ 100,000
Chris McIntire	Supervisor District 3	Travelers	\$ 100,000
David Carter	Supervisor District 4	Travelers	\$ 100,000
Eric B. Chambers	Supervisor District 5	Travelers	\$ 100,000
Steve Montgomery	Chancery Clerk	Travelers	\$ 100,000
Steve Montgomery	Purchase Clerk	Travelers	\$ 75,000
Brent McKnight	Receiving Clerk	Travelers	\$ 75,000
Billie M. Pylon	Inventory Control Clerk	Travelers	\$ 75,000
Thomas Rayborn	Constable	Travelers	\$ 50,000
Chris Coleman	Constable	Travelers	\$ 50,000
Peggy Reid Miller	Circuit Clerk	Travelers	\$ 100,000
Cloyd Halford	Sheriff	Travelers	\$ 100,000
Joseph T. Long	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Thomas Rayborn	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Willie Miller	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Wesley Strutton	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Lee A. Upchurch	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Barry J. Miller	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Robert G. Sheedy, Jr.	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Melinda Newlin	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Marcus Rodriguez	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers	\$ 50,000
Brandon Busby	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Josh Williams	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$ 50,000
Keith Coleman	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers	\$ 50,000
William Andy Stephenson	Justice Court Judge	Travelers	\$ 50,000
Jan Hutchinson	Justice Court Judge	Travelers	\$ 50,000
Teresa Weeks	Justice Court Clerk	Travelers	\$ 50,000
Heather Wood	Deputy Justice Court Clerk	Travelers	\$ 50,000
Lori Fiebeg	Tax Collector-Assessor	Travelers	\$ 100,000

CHOCTAW COUNTY

SPECIAL REPORTS



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Professional Limited Liability Company
Certified Public Accountants

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**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
Choctaw 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, each major fund and the aggregate remaining fund information of Choctaw 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 February 9, 2015. 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 Choctaw 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 and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-01, and 2013-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-03, 2013-04, 2013-05, 2013-06 and 2013-07 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Choctaw 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*.

However, we noted certain matters that we reported to the management of Choctaw County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 9, 2015, included within this document.

Choctaw County's Responses to Findings

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

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 9, 2015

Watkins Ward and Stafford, PLLC



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

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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
 Choctaw County, Mississippi

We have examined Choctaw 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 Choctaw 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 Choctaw 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, Choctaw 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 Choctaw 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
 Louisville, Mississippi
 February 9, 2015

Watkins Ward and Stafford, PLLC

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
 Choctaw County, Mississippi

In planning and performing our audit of the financial statements of Choctaw County, Mississippi for the year ended September 30, 2013, we considered Choctaw 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 Choctaw 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 February 9, 2015, on the financial statements of Choctaw County, Mississippi.

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

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

Chancery Clerk

1. Finding

Section 7-7-221, Mississippi Code Ann, (1972), required the county to publish a synopsis of the annual audit reflecting all comments, both favorable and unfavorable, in the handling of the affairs of the county. The synopsis should be published in a newspaper published within the county. Also the clerk should forward a copy of the published synopsis to the State Auditor within 60 days of the publication. During our audit we noted the synopsis of the annual audit of the September 30, 2012, was not submitted within the 60 day deadline.

Recommendation

We recommend the county publish a synopsis of the annual audit reflecting all comments, both favorable and unfavorable, in the handling of the affairs of the county. The synopsis should be published in a newspaper published within the county. Also the clerk should forward a copy of the published synopsis to the State Auditor within 60 days of publication.

Chancery Clerk's Response

The clerk will ensure that the synopsis of the annual audit will be published in a timely manner.

Chancery Clerk

2. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office. During our testing of the chancery clerk's fee journal we noted that the fee journal bank accounts are not being reconciled on a timely basis to the fee journal. This condition caused the chancery clerk's income on the annual financial report to be under-reported by \$5,638. However, this condition did not cause the chancery clerk's income to exceed the amount allowed by the salary cap.

Recommendation

We recommend the Chancery Clerk comply with Section 9-1-43, Miss. Code Ann. (1972) and reconcile the fee journal account on a timely basis to the fee journal. This is necessary to insure that information reported on the annual financial report is reported correctly and to determine that the chancery clerk's income did not exceed the amount allowed by the salary cap.

Chancery Clerk's Response

The clerk's fee account is now being reconciled on a monthly basis using Quickbooks software.

Chancery Clerk

3. Finding

Section 25-7-9(1)(g), Miss. Code Ann. (1972), allow the county to compensate the chancery clerk a maximum of \$3,000 annually for services as clerk of the board of supervisors. During our testing of statutory fees we noted the chancery clerk was compensated \$4,500 for services provided as clerk of the board of supervisors in excess of the \$3,000 maximum allowed for these services. We did note the chancery clerk reimbursed these funds to the county during the September 30, 2014 fiscal year.

Recommendation

We recommend the county comply with Section 25-7-9(1)(g), Miss. Code Ann. (1972) and not compensate the chancery clerk an annual amount in excess of the maximum of \$3,000 for services as clerk of the board of supervisors.

Chancery Clerk's Response

The clerk has returned the \$1,500 paid in excess of the \$3,000 maximum allowed for these services. Every effort will be made to ensure that compensation will be within the limits established in Section 25-7-9(1)(g), Miss Code Ann. (1972)

Choctaw 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
Louisville, Mississippi
February 9, 2015

Watkins Ward and Stafford, PLLC

CHOCTAW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CHOCTAW 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)
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? (Yes)
3. Noncompliance material to the financial statements noted? (No)

Section 2: Financial Statement Findings

Material Weaknesses

Board of Supervisors.

2013-1 Finding

Management is responsible for the preparation of financial statements prepared in accordance with generally accepted accounting principles. This would include the preparation of financial statements after conversion entries to convert the financial statements to the accrual basis of accounting (GASB 34 Conversion)

These financial statements were not prepared as of the beginning of audit field work. We assisted the client with conversion entries and prepared financial statements from the converted information. Management did review and take responsibility for the financial statements after they were prepared by the auditor.

Recommendation

We recommend that the county prepare year-end financial statements in accordance with generally accepted accounting principles and have them available prior to the commencement of audit field work

Board of Supervisors' Response

The county will prepare year-end financial statements prior to commencement of the audit field work.

CHOCTAW COUNTY

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

Board of Supervisors

2013-2 Finding

Generally accepted accounting principles require the financial data of 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 includes the financial data for its component unit. As reported in the prior year audit report, the financial statements do not include the financial data for either of its component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

The county will work toward inclusion of component units.

Significant Deficiencies Not Considered To Be A Material Weakness

Tax Collector

2013-3 Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior year audit report, cash collection and disbursement functions are not adequately separated for effective internal control. The Tax Collector receipts collections, makes deposits, calculates the monthly settlements, posts to the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Tax Collection should implement a system for review of the accounting records by another person.

Tax Collector's Response

The chancery clerk, in his duties as county auditor, has started a monthly review of all accounts, related daily reports and receipts to ensure an adequate review of records takes place. Records of the review are on file in the tax assessor's office.

CHOCTAW COUNTY

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

Circuit Clerk

2013-4 Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior year audit report, cash collection and disbursement functions are not adequately separated for effective internal control. The Circuit Clerk receipts collections, makes deposits, calculates the monthly settlements, posts to the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

The Chancery Clerk, Steve Montgomery, will review, initial and date monthly bank reconciliations. Also the Chancery Clerk will review the civil and clearing reports, and related receipts and deposits.

Chancery Clerk

2013-5 Finding

During our testing of selected payroll disbursements we noted the following control deficiency:

- a) We noted one instance where a time keeping record did not contain the proper supervisory signature.

Recommendation

We make the following recommendations to strengthen internal controls over payroll disbursements:

- a) Time keeping records containing proper supervisory signature should be maintained.

Chancery Clerk's Response

We have implemented a third party inspection of time keeping records prior to preparation of payroll to ensure all time keeping records contain proper supervisory signatures.

CHOCTAW COUNTY

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

Justice Court Clerk

2013-6 Finding

An effective system of internal control should include an adequate separation of duties. The cash collection and disbursement functions are not adequately separated for effective internal control. The Justice Court Clerk receipts collections, makes deposits, calculates the monthly settlements, posts to the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Justice Court Clerk's Response

The Chancery Clerk, Steve Montgomery, will review, date and initial all bank reconciliations. The Chancery Clerk will also review related receipts, reports and deposits for the civil, criminal and clearing accounts for the Justice Court office.

Justice Court Clerk

2013-7 Finding

During our testing of daily cash receipts in the justice court clerk's office we noted that 4 of the 10 daily receipts we selected for testing were not deposited by the next business day. It is very important for deposits to be made intact and on a daily basis. Failure to implement this control procedure could result in the loss of public funds.

Recommendation

The Justice Court Clerk should implement a system to ensure that deposits are made intact on a daily basis.

Justice Court Clerk's Response

Effective in October 2014, this office has implemented the use of a nightly drop deposit box to insure that all deposits are made at the end of each day.