

# WINSTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2012

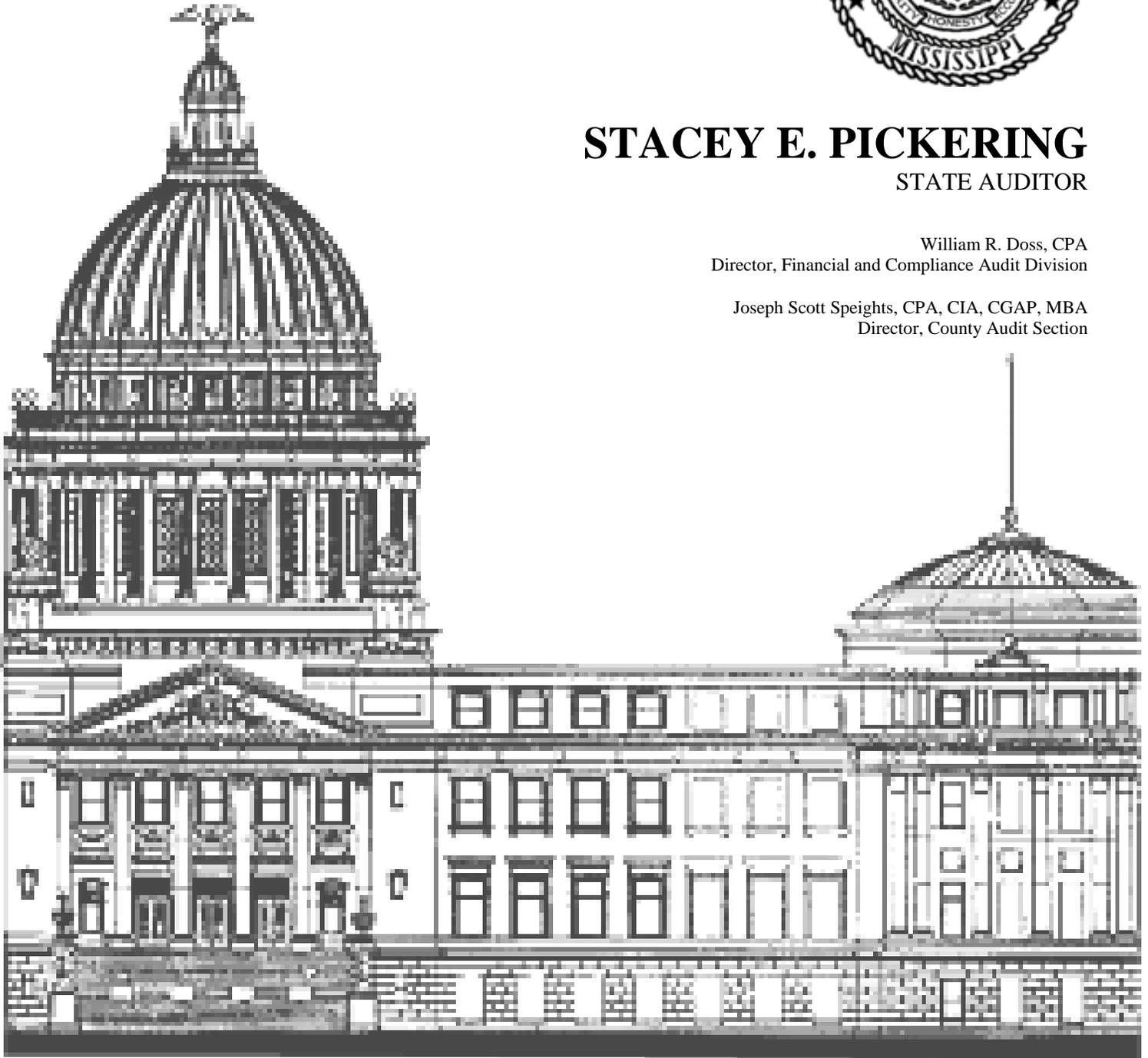


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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

February 14, 2014

Members of the Board of Supervisors  
Winston County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Winston County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

Stacey E. Pickering  
State Auditor



WINSTON COUNTY

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WINSTON COUNTY

FINANCIAL SECTION

WINSTON COUNTY

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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Winston County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, on our consideration of Winston County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winston County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winston County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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 such information.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

February 14, 2014

WINSTON COUNTY

FINANCIAL STATEMENTS

WINSTON COUNTY

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WINSTON COUNTY  
Statement of Net Assets  
September 30, 2012

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 10,009,594	410,580	10,420,174
Restricted assets - investments		2,310,984	2,310,984
Property tax receivable	2,178,351		2,178,351
Accounts receivable (net of allowance for uncollectibles of \$703,749)		118,041	118,041
Fines receivable (net of allowance for uncollectibles of \$1,377,846)	97,733		97,733
Capital leases receivable	677,717		677,717
Intergovernmental receivables	150,476	275,127	425,603
Other receivables	99,816	10,504	110,320
Internal balances	283,040	(283,040)	
Deferred charges - bond issuance costs		87,176	87,176
Capital assets:			
Land and construction in progress	2,000,921	54,000	2,054,921
Other capital assets, net	23,197,522	4,041,417	27,238,939
<b>Total Assets</b>	<b>38,695,170</b>	<b>7,024,789</b>	<b>45,719,959</b>
<b>LIABILITIES</b>			
Claims payable	259,766	131,165	390,931
Intergovernmental payables	182,000		182,000
Accrued interest payable	1,137	51,400	52,537
Deferred revenue	2,315,868		2,315,868
Other payables	40,933		40,933
Long-term liabilities			
Due within one year:			
Capital debt	85,785	389,870	475,655
Non-capital debt	27,428		27,428
Due in more than one year:			
Capital debt	192,289	2,204,482	2,396,771
Non-capital debt	542,866	19,263	562,129
<b>Total Liabilities</b>	<b>3,648,072</b>	<b>2,796,180</b>	<b>6,444,252</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	24,920,369	1,501,065	26,421,434
Restricted:			
Expendable:			
General government	192,776		192,776
Public safety	494,125	1,562,664	2,056,789
Public works	2,067,206	345,219	2,412,425
Debt service		819,661	819,661
Unemployment compensation	29,039		29,039
Unrestricted	7,343,583		7,343,583
<b>Total Net Assets</b>	<b>\$ 35,047,098</b>	<b>4,228,609</b>	<b>39,275,707</b>

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

WINSTON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,220,644	443,654	153,412		(1,623,578)		(1,623,578)
Public safety	1,225,780	209,982	140,659	29,561	(845,578)		(845,578)
Public works	1,977,577	33,900	658,643	1,554,705	269,671		269,671
Health and welfare	131,565		32,320		(99,245)		(99,245)
Culture and recreation	163,736		1,466		(162,270)		(162,270)
Education	100,351		65,351		(35,000)		(35,000)
Conservation of natural resources	227,178				(227,178)		(227,178)
Economic development and assistance	452,513		124,173		(328,340)		(328,340)
Interest on long-term debt	31,419				(31,419)		(31,419)
Total Governmental Activities	<u>6,530,763</u>	<u>687,536</u>	<u>1,176,024</u>	<u>1,584,266</u>	<u>(3,082,937)</u>		<u>(3,082,937)</u>
Business-type activities:							
Correctional facility	3,187,875	3,231,980				44,105	44,105
Solid waste	<u>326,073</u>	<u>406,121</u>				<u>80,048</u>	<u>80,048</u>
Total Business-type Activities	<u>3,513,948</u>	<u>3,638,101</u>	<u>0</u>	<u>0</u>		<u>124,153</u>	<u>124,153</u>
Total Primary Government	\$ <u>10,044,711</u>	<u>4,325,637</u>	<u>1,176,024</u>	<u>1,584,266</u>	<u>(3,082,937)</u>	<u>124,153</u>	<u>(2,958,784)</u>
General revenues:							
Property taxes					\$ 3,495,009		3,495,009
Road & bridge privilege taxes					211,611		211,611
Grants and contributions not restricted to specific programs					483,536		483,536
Capital contributions						10,000	10,000
Unrestricted interest income					24,892	606	25,498
Miscellaneous					495,611	59,324	554,935
Special item - MDA loan cancellation					148,547		148,547
Total General Revenues and Special Item					<u>4,859,206</u>	<u>69,930</u>	<u>4,929,136</u>
Changes in Net Assets					<u>1,776,269</u>	<u>194,083</u>	<u>1,970,352</u>
Net Assets - Beginning as previously reported					33,245,827	4,034,526	37,280,353
Prior period adjustments					25,002		25,002
Net Assets - Beginning of year, as restated					<u>33,270,829</u>	<u>4,034,526</u>	<u>37,305,355</u>
Net Assets - Ending					\$ <u>35,047,098</u>	<u>4,228,609</u>	<u>39,275,707</u>

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

WINSTON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2012

Exhibit 3

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	CAP Repayment Polo Fund	District 3 State Aid Road Fund	District 4 State Aid Road Fund		
<b>ASSETS</b>						
Cash	\$ 6,506,693		11,946	28,802	3,462,153	10,009,594
Property tax receivable	1,483,919				694,432	2,178,351
Fines receivable (net of allowance for uncollectibles of \$1,377,846)	97,733					97,733
Capital leases receivable		677,717				677,717
Intergovernmental receivables	113,265		9,499		27,712	150,476
Other receivables	7,808				42,019	49,827
Due from other funds	123,784				42,937	166,721
Advances to other funds	286,744				9,878	296,622
Total Assets	\$ 8,619,946	677,717	21,445	28,802	4,279,131	13,627,041
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Claims payable	\$ 124,335		10,610		124,821	259,766
Intergovernmental payables	181,945				55	182,000
Due to other funds	50,986				17,201	68,187
Advances from other funds	6,376				55,753	62,129
Deferred revenue	1,581,652	677,717			694,432	2,953,801
Other payables	40,933					40,933
Total Liabilities	1,986,227	677,717	10,610	0	892,262	3,566,816
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Advances	286,744					286,744
<b>Restricted for:</b>						
General government					192,776	192,776
Public safety					495,262	495,262
Public works			10,835	28,802	2,027,569	2,067,206
Unemployment compensation					29,039	29,039
<b>Assigned to:</b>						
Economic development and assistance					642,223	642,223
Unassigned	6,346,975					6,346,975
Total Fund Balances	6,633,719	0	10,835	28,802	3,386,869	10,060,225
Total Liabilities and Fund Balances	\$ 8,619,946	677,717	21,445	28,802	4,279,131	13,627,041

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

WINSTON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,060,225
Amounts reported for governmental activities in the Statement of Net Assets 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 \$32,530,292.	25,198,443
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	97,733
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(848,368)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(1,137)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	540,200
Rounding	<u>2</u>
Total Net Assets - Governmental Activities	\$ <u><u>35,047,098</u></u>

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

## WINSTON COUNTY

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

For the Year Ended September 30, 2012

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	CAP Repayment Polo Fund	District 3 State Aid Road Fund	District 4 State Aid Road Fund		
REVENUES						
Property taxes	\$ 2,550,104				944,905	3,495,009
Road and bridge privilege taxes					211,611	211,611
Licenses, commissions and other revenue	277,173				16,069	293,242
Fines and forfeitures	194,083				1,701	195,784
Intergovernmental revenues	623,217		473,557	1,003,780	1,143,272	3,243,826
Charges for services					232,102	232,102
Interest income	5,378	16,641			2,873	24,892
Miscellaneous revenues	101,829				391,455	493,284
Total Revenues	<u>3,751,784</u>	<u>16,641</u>	<u>473,557</u>	<u>1,003,780</u>	<u>2,943,988</u>	<u>8,189,750</u>
EXPENDITURES						
Current:						
General government	1,982,727				226,796	2,209,523
Public safety	859,500				353,473	1,212,973
Public works	7,750		512,358	984,619	1,918,576	3,423,303
Health and welfare	117,781					117,781
Culture and recreation	158,644					158,644
Education	100,351					100,351
Conservation of natural resources	108,309				118,098	226,407
Economic development and assistance	90,875				361,638	452,513
Debt service:						
Principal		26,618			307,058	333,676
Interest		16,641			21,500	38,141
Total Expenditures	<u>3,425,937</u>	<u>43,259</u>	<u>512,358</u>	<u>984,619</u>	<u>3,307,139</u>	<u>8,273,312</u>
Excess of Revenues over (under) Expenditures	<u>325,847</u>	<u>(26,618)</u>	<u>(38,801)</u>	<u>19,161</u>	<u>(363,151)</u>	<u>(83,562)</u>

## WINSTON COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2012

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	CAP Repayment Polo Fund	District 3 State Aid Road Fund	District 4 State Aid Road Fund		
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued					124,638	124,638
Proceeds from sale of capital assets					3,575	3,575
Transfers in			43,400		150,811	194,211
Transfers out	(150,811)				(43,400)	(194,211)
Lease principal payments		26,618				26,618
Total Other Financing Sources and Uses	(150,811)	26,618	43,400	0	235,624	154,831
Net Changes in Fund Balances	175,036	0	4,599	19,161	(127,527)	71,269
Fund Balances - Beginning as previously reported	6,458,683	0	6,236	9,641	3,491,460	9,966,020
Prior period adjustment					22,936	22,936
Fund Balances - Beginning, as restated	6,458,683	0	6,236	9,641	3,514,396	9,988,956
Fund Balances - Ending	\$ 6,633,719	0	10,835	28,802	3,386,869	10,060,225

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

WINSTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 71,269
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,982,230 exceeded depreciation of \$587,990 in the current period.	1,394,240
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 assets differs from the change in fund balances by the amount of the net loss of \$2,560 and the proceeds from the sale of \$3,575 in the current period.	(6,135)
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.	(33,593)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$333,676 exceeded debt proceeds of \$124,638.	209,038
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Decrease in compensated absences payable	12,797
Decrease in accrued interest payable	6,722
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(26,618)
Reduction of debt principal resulting from default on debt by Southern Products.	148,547
Rounding	<u>2</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,776,269</u></u>

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

WINSTON COUNTY  
Statement of Net Assets - Proprietary Funds  
September 30, 2012

Exhibit 5

<u>Business-type Activities - Enterprise Funds</u>			
<u>Major Funds:</u>			
	<u>Correctional Facility Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 106,969	303,611	410,580
Restricted assets - investments	2,310,984		2,310,984
Accounts receivable (net of allowance for uncollectibles of \$703,749)		118,041	118,041
Intergovernmental receivables	275,127		275,127
Other receivables	4,409		4,409
Due from other funds	3,719	8,653	12,372
Advances to other funds	6,095		6,095
Total Current Assets	<u>2,707,303</u>	<u>430,305</u>	<u>3,137,608</u>
Noncurrent assets:			
Deferred charges - bond issuance cost	87,176		87,176
Capital assets:			
Land	54,000		54,000
Other capital assets, net	3,989,319	52,098	4,041,417
Total Noncurrent Assets	<u>4,130,495</u>	<u>52,098</u>	<u>4,182,593</u>
Total Assets	<u>6,837,798</u>	<u>482,403</u>	<u>7,320,201</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	117,917	13,248	131,165
Due to other funds	97,691	13,215	110,906
Advances from other funds	127,980	56,526	184,506
Accrued interest payable	51,400		51,400
Capital debt:			
Other long-term liabilities	389,870		389,870
Total Current Liabilities	<u>784,858</u>	<u>82,989</u>	<u>867,847</u>
Noncurrent liabilities:			
Capital debt:			
Other long-term liabilities	2,204,482		2,204,482
Non-capital debt:			
Compensated absences payable	17,166	2,097	19,263
Total Noncurrent Liabilities	<u>2,221,648</u>	<u>2,097</u>	<u>2,223,745</u>
Total Liabilities	<u>3,006,506</u>	<u>85,086</u>	<u>3,091,592</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,448,967	52,098	1,501,065
Restricted for:			
Debt service	819,661		819,661
Public safety	1,562,664		1,562,664
Public works		345,219	345,219
Total Net Assets	<u>\$ 3,831,292</u>	<u>397,317</u>	<u>4,228,609</u>

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Major Funds:		Totals
	Correctional Facility Fund	Solid Waste Fund	
Operating Revenues			
Charges for services	\$ 3,231,980	406,121	3,638,101
Miscellaneous	59,324		59,324
Total Operating Revenues	<u>3,291,304</u>	<u>406,121</u>	<u>3,697,425</u>
Operating Expenses			
Personal services	1,750,689	146,327	1,897,016
Contractual services	410,518	63,405	473,923
Materials and supplies	647,402	72,528	719,930
Depreciation expense	153,287	34,121	187,408
Amortization of deferred charges	12,566		12,566
Indirect administrative cost	97,691	8,892	106,583
Total Operating Expenses	<u>3,072,153</u>	<u>325,273</u>	<u>3,397,426</u>
Operating Income (Loss)	<u>219,151</u>	<u>80,848</u>	<u>299,999</u>
Nonoperating Revenues (Expenses)			
Interest income	533	73	606
Interest expense	(107,335)		(107,335)
Gain (loss) on sale of capital assets	(8,387)	(800)	(9,187)
Net Nonoperating Revenue (Expenses)	<u>(115,189)</u>	<u>(727)</u>	<u>(115,916)</u>
Net Income (Loss) Before Capital Contributions	103,962	80,121	184,083
Capital contributions	10,000		10,000
Changes in Net Assets	<u>113,962</u>	<u>80,121</u>	<u>194,083</u>
Net Assets - Beginning	<u>3,717,330</u>	<u>317,196</u>	<u>4,034,526</u>
Net Assets - Ending	<u>\$ 3,831,292</u>	<u>397,317</u>	<u>4,228,609</u>

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

WINSTON COUNTY  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2012

Exhibit 7

Business-type Activities - Enterprise Funds			
Major Funds:			
	Correctional Facility Fund	Solid Waste Fund	Totals
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 3,255,295	408,624	3,663,919
Payments to suppliers	(1,067,890)	(133,207)	(1,201,097)
Payments to employees	(1,755,375)	(142,634)	(1,898,009)
Net Cash Provided (Used) by Operating Activities	<u>432,030</u>	<u>132,783</u>	<u>564,813</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(124,864)		(124,864)
Principal paid on long-term debt	(365,000)		(365,000)
Interest paid on debt	(114,635)		(114,635)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(604,499)</u>	<u>0</u>	<u>(604,499)</u>
<b>Cash Flows From Investing Activities</b>			
Interest on investments	533	73	606
Net Cash Provided (Used) by Investing Activities	<u>533</u>	<u>73</u>	<u>606</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(171,936)	132,856	(39,080)
Cash and Cash Equivalents at Beginning of Year	<u>2,589,889</u>	<u>170,755</u>	<u>2,760,644</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,417,953</u>	<u>303,611</u>	<u>2,721,564</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 219,151	80,848	299,999
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	153,287	34,121	187,408
Amortization expense	12,566		12,566
Provision for uncollectible accounts		3,266	3,266
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(5,355)	(5,355)
(Increase) decrease in intergovernmental receivables	(40,319)		(40,319)
(Increase) decrease in other receivables	8,029		8,029
(Increase) decrease in interfund receivables	(3,719)	4,592	873
Increase (decrease) in claims payable	(13,551)	2,382	(11,169)
Increase (decrease) in compensated absences liability	(1,105)	(287)	(1,392)
Increase (decrease) in interfund payables	97,691	13,216	110,907
Total Adjustments	<u>212,879</u>	<u>51,935</u>	<u>264,814</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 432,030</u>	<u>132,783</u>	<u>564,813</u>
<b>Noncash Capital Contributions:</b>			
Winston County received donated mobile equipment in the amount of \$10,000 during the year.			

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

WINSTON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2012

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 231,751
Total Assets	<u>\$ 231,751</u>
<b>LIABILITIES</b>	
Other liabilities	\$ 25,660
Intergovernmental payables	150,009
Advances from other funds	<u>56,082</u>
Total Liabilities	<u>\$ 231,751</u>

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

WINSTON COUNTY

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## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Winston 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 Winston County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### Fund Financial Statements:

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

#### C. Measurement Focus and Basis of Accounting.

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

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

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

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.

CAP Repayment Polo Fund - This fund is used to account for all activities related to the capital lease of the Polo building.

District 3 State Aid Road Fund - This fund is used to account for the resources from state aid assistance and expenditures related to District 3 state aid road projects.

District 4 State Aid Road Fund - This fund is used to account for the resources from state aid assistance and expenditures related to District 4 state aid road projects.

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

The County reports the following major Enterprise Funds:

Correctional Facility Fund - This fund is used to account for all activities related to the operation of the correctional facility.

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPE

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.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 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.

F. Receivables.

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

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### 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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in Other Governmental Funds, which are reported by definition as restricted, committed or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain resources and revenues associated with the county's enterprise fund revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "excess revenue" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations. The "insurance payment" fund is used to pay the annual insurance premium for insurance for the correctional facility. The "debt service reserve" fund is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. The "general" fund is used to pay the principal and interest payments due to the county's enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

#### I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Winston County meets this criteria but has elected to report all infrastructure assets on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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

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

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

J. Long-term Liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

#### 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.

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

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

*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 nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Chancery Clerk pursuant to authorization established by the Board of Supervisors.

*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.

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net	\$ 2,066
To decrease expenditures for checks that were voided incorrectly	22,936
Total prior period adjustments	\$ 25,002

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

Explanation	Amount
To decrease expenditures for checks that were not properly voided	\$ 22,936

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$10,651,925, and the bank balance was \$10,779,059. 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).

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

**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:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Winston-Choctaw County Regional Correctional Facility.

Investments balances at September 30, 2012, are as follows:

**Business-type Activities:**

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ <u>2,310,984</u>	AAAm

**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.

**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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

The following is a summary of interfund balances at September 30, 2012:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 17,201
General	Solid Waste	8,892
General	Correctional Facility	97,691
Other Governmental Funds	General	38,614
Other Governmental Funds	Solid Waste	4,323
Solid Waste	General	8,653
Correctional Facility	General	<u>3,719</u>
Total		\$ <u>179,093</u>

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

The amount due to the General Fund from the Correctional Facility Fund and Solid Waste Fund represents indirect administrative costs incurred during the September 30, 2012, fiscal year. The amount payable to Other Governmental Funds from the Solid Waste Fund represents the correction of posting errors. The amount payable to the Solid Waste Fund and Other Governmental Funds from the General Fund represents ad valorem taxes collected by the Tax Collector in September 2012, but not remitted to the County until October 2012. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 55,753
General	Solid Waste	53,024
General	Correctional Facility	127,980
General	Agency Funds	49,987
Other Governmental Funds	General	6,376
Other Governmental Funds	Solid Waste	3,502
Correctional Facility	Agency Funds	<u>6,095</u>
Total		\$ <u><u>302,717</u></u>

The amount due to the General Fund from the Correctional Facility Fund and Solid Waste Fund represents indirect administrative cost incurred in previous fiscal years that have never been paid to the General Fund. The amount due to the General Fund from the Other Governmental Funds represents expenses paid for these various funds in prior fiscal years out of the General Fund that were not repaid. The amount due to General Fund and Correctional Facility Fund from the Agency Funds is due to posting errors and over payments. None of the advances are expected to be paid within one year.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
District 3 State Aid Road Fund	Other Governmental Funds	\$ 43,400
Other Governmental Funds	General Fund	<u>150,811</u>
Total		\$ <u><u>194,211</u></u>

The principal purpose of interfund transfers was to provide funds for volunteer fire expenditures and road maintenance expenditures, to pay solar energy panel expenditures, and to correct the posting of receipts in wrong fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description		Amount
<b>Governmental Activities:</b>		
Legislative tax credit	\$	78,068
Motor vehicle fuel payments		21,658
Motor vehicle license payments		5,267
State of Mississippi - DUI officer grant		8,687
Civil defense reimbursement		20,985
State aid road reimbursement		9,499
Department of Health and Human Services reimbursement		2,000
Other		<u>4,312</u>
Total Governmental Activities	\$	<u><u>150,476</u></u>
<b>Business-type Activities:</b>		
MDOC reimbursement for housing prisoners	\$	268,338
Other local government payments for housing prisoners		<u>6,789</u>
Total Business-type Activities	\$	<u><u>275,127</u></u>

(6) Restricted Assets.

The balances of the restricted asset accounts in the Correctional Facility Fund are as follows:

Excess revenue	\$	791,527
Revenue		182,037
Debt service reserve		383,261
Insurance payment		17,534
Depreciation and operating reserve		500,225
General		<u>436,400</u>
Total restricted assets	\$	<u><u>2,310,984</u></u>

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

**Governmental activities:**

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 658,664				658,664
Construction in progress	973,126	1,712,880		(1,343,749)	1,342,257
Total non-depreciable capital assets	1,631,790	1,712,880	0	(1,343,749)	2,000,921
<u>Depreciable capital assets:</u>					
Infrastructure	43,077,223			1,345,815	44,423,038
Buildings	4,241,882				4,241,882
Improvements other than buildings	373,916				373,916
Mobile equipment	5,688,304	97,912	52,551	99,231	5,832,896
Furniture and equipment	473,682	46,800	8,815		511,667
Leased property under capital leases	319,008	124,638		(99,231)	344,415
Total depreciable capital assets	54,174,015	269,350	61,366	1,345,815	55,727,814
<u>Less accumulated depreciation for:</u>					
Infrastructure	23,714,228	362,007			24,076,235
Buildings	3,043,572	19,581			3,063,153
Improvements other than buildings	78,777	14,957			93,734
Mobile equipment	4,680,160	133,796	47,297	30,647	4,797,306
Furniture and equipment	400,799	29,281	7,934		422,146
Leased property under capital leases	79,997	28,368		(30,647)	77,718
Total accumulated depreciation	31,997,533	587,990	55,231	0	32,530,292
Total depreciable capital assets, net	22,176,482	(318,640)	6,135	1,345,815	23,197,522
Governmental activities capital assets, net	\$ 23,808,272	1,394,240	6,135	2,066	25,198,443

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

**Business-type activities:**

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<b>Non-depreciable capital assets:</b>					
Land	\$ 54,000				54,000
Total non-depreciable capital assets	54,000	0	0	0	54,000
<b>Depreciable capital assets:</b>					
Buildings	5,229,560				5,229,560
Mobile equipment	558,714	10,000	26,450		542,264
Furniture and equipment	175,672	124,866	10,650		289,888
Total depreciable capital assets	5,963,946	134,866	37,100	0	6,061,712
<b>Less accumulated depreciation for:</b>					
Buildings	1,339,136	104,592			1,443,728
Mobile equipment	400,196	53,912	23,805		430,303
Furniture and equipment	121,468	28,904	4,108		146,264
Total accumulated depreciation	1,860,800	187,408	27,913	0	2,020,295
Total depreciable capital assets, net	4,103,146	(52,542)	9,187	0	4,041,417
Business-type activities capital assets, net	\$ 4,157,146	(52,542)	9,187	0	4,095,417

\*Adjustments represent reclassifications from construction in progress to infrastructure and reclassifications of leased property under capital lease to mobile equipment along with related accumulated depreciation. An adjustment for \$2,066 was made for prior year expenditure to construction in progress not included in the beginning balance.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 22,155
Public safety	60,451
Public works	485,737
Health and welfare	13,784
Culture and recreation	5,092
Conservation of natural resources	771
Total governmental activities depreciation expense	\$ 587,990
<b>Business-type activities:</b>	
Solid waste	\$ 34,121
Correctional facility	153,287
Total business-type activities depreciation expense	\$ 187,408

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
District 3 LSBP 80(13) Bridge	\$ 54,875	September 2013
District 3 PLH 0673 Bluff Lake-Choctaw County	1,425,883	September 2013
District 3 SAP (80)(82) Yellow Creek	387,968	September 2013
District 4 SAP (80)(81) Simms Road	59,573	September 2013
District 4 SAP (80)(80) Lobutchta Road	23,839	September 2013

(8) 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, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$341,667 for the year ended September 30, 2012. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2013	\$ 350,000
2014	350,000
2015	350,000
2016	350,000
2017	370,833
2018 – 2022	<u>1,566,666</u>
Total Minimum Payments Required	<u><u>\$ 3,337,499</u></u>

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(10) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2012:

Classes of Property		Amount
Buildings	\$	438,500
Other		130,000
Total	\$	568,500

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2012, are as follows:

Year Ended September 30	Principal	Interest
2013	\$ 27,428	15,831
2014	28,262	14,996
2015	29,121	14,137
2016	30,007	13,251
2017	30,920	12,339
2018 – 2022	169,291	47,001
2023 – 2027	196,652	19,640
2028 – 2032	28,519	322
Total	\$ 540,200	137,517

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property		Governmental Activities
Mobile equipment	\$	344,415
Less: Accumulated depreciation		77,718
Leased Property Under Capital Leases	\$	266,697

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 58,735	4,414
2014	62,015	2,793
2015	34,776	1,061
2016	32,152	369
Total	\$ 187,678	8,637

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(11) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. Capital Leases:			
Pierce Contender fire truck	\$ 42,250	3.80%	12/2013
6,000 gallon duratank	20,790	3.26%	01/2015
2013 Mack dump truck	124,638	2.11%	09/2016
Total Capital Leases	\$ 187,678		
B. Other Loans:			
CAP loan for Polo Industries	\$ 540,201	3.00%	05/2028
CAP loan for fire trucks	90,396	2.00%	10/2015
Total Other Loans	\$ 630,597		
<b>Business-type Activities:</b>			
Limited Obligation Bonds:			
2008 correctional facility refunding bonds*	\$ 2,570,000	4.00%	10/2018

\*Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$3,815,000 in limited obligation urban renewal revenue bonds issued in April 2008. Proceeds from the bonds were used to refund bonds that provided financing for the construction of the Winston-Choctaw County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through October 2018. The total principal and interest remaining to be paid on the bonds is \$2,890,200. Principal and interest paid for the current year and total inmate housing net revenues were \$475,100 and \$432,030, respectively.

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

**Governmental Activities:**

Year Ending September 30	Other Loans	
	Principal	Interest
2013	\$ 54,478	17,264
2014	58,341	15,989
2015	59,808	14,522
2016	32,588	13,256
2017	30,920	12,339
2018 – 2022	169,292	47,001
2023 – 2027	196,652	19,640
2028 – 2032	28,518	320
Total	\$ 630,597	140,331

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

**Business-type Activities:**

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2013	\$ 385,000	95,100
2014	405,000	79,300
2015	420,000	62,800
2016	435,000	45,700
2017	455,000	27,900
2018 – 2022	470,000	9,400
Total	\$ 2,570,000	320,200

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, 2012, the County had no outstanding debt limited by the legal debt margin.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments*	Balance Sept. 30, 2012	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 42,890			(12,797)	30,093	
General obligation bonds	170,000		170,000		0	
Capital leases	141,150	124,638	78,110		187,678	58,735
Other loans	864,710		85,566	(148,547)	630,597	54,478
Total	\$ 1,218,750	124,638	333,676	(161,344)	848,368	113,213
<b>Business-type Activities:</b>						
Limited obligation bonds	\$ 2,935,000		365,000		2,570,000	385,000
Add:					0	
Premiums	29,222		4,870		24,352	4,870
Net limited obligation bonds	2,964,222		369,870		2,594,352	389,870
Compensated absences	20,655			(1,392)	19,263	
Total	\$ 2,984,877	0	369,870	(1,392)	2,613,615	389,870

\*Adjustments are reported to reflect changes in compensated absences liability and the cancellation of debt of \$148,547 relating to the Southern Products CDBG Loan.

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund, Reappraisal Fund, Road Maintenance Funds, Solid Waste Fund, and Correctional Facility Fund.

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(12) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2012:

Fund	Deficit Amount
SAP County Wide Fund	\$ 43,978

(13) Contingencies.

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

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

(14) Joint Ventures.

The County participates in the following joint ventures:

Winston County is a participant with the City of Louisville in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: Winston County, two; City of Louisville, two; jointly, one. By contractual agreement, the County's appropriation to the joint venture was \$7,750 in fiscal year 2012. Complete financial statements can be obtained from the Louisville/Winston County Airport Authority at P. O. Box 1022, Louisville, MS 39339.

Winston County is a participant with the City of Louisville, Louisville Chamber of Commerce and the Town of Noxapater in a joint venture, authorized by Section 19-5-99, Miss. Code. Ann. (1972), to operate the Winston County Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a seven member board of trustees appointed as follows: Winston County Board of Supervisors, two; City of Louisville, two; Louisville Chamber of Commerce, one; Town of Noxapater, one; jointly, one. By contractual agreement, the County's appropriation to the joint venture was \$70,875 in fiscal year 2012. Complete financial statements can be obtained from the Winston County Economic Development District at P. O. Box 551, Louisville, MS 39339.

Mid-Mississippi Regional Library System was organized under a contract between the counties of Attala, Holmes, Leake, Montgomery and Winston. The joint venture was created to provide free library service to the citizens for the member counties. The Winston County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the County's appropriation to the joint venture was \$144,000 in the fiscal year 2012. Complete financial statements can be obtained from the library at Winston County Library, 301 Park Street, Louisville, MS 39339.

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2012

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Winston County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County appropriated \$290,356 for the maintenance and support of the college in fiscal year 2012.

Golden Triangle Planning and Development District provides services for the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints four of the 28 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$22,536 for support of the district in fiscal year 2012.

Community Counseling Services operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$24,750 for support of the agency in fiscal year 2012.

Prairie Opportunity, Inc., operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. The other 14 board members are not appointed by the County Board of Supervisors. The counties generally provide no financial support to the organization.

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 Winston County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

(16) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2012, 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, 2012 was 14.26% 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, 2012, 2011 and 2010 were \$411,305, \$389,700 and \$374,041, respectively, equal to the required contributions for each year.

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2012

(17) Subsequent Events.

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Winston County evaluated the activity of the County through February 14, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/15/2012	1.89%	\$ 82,000	Capital lease	Ad valorem taxes
12/17/2012	1.74%	76,500	Capital lease	Ad valorem taxes
05/06/2013	2.01%	161,644	Capital lease	Ad valorem taxes
05/20/2013	2.04%	131,043	Capital lease	Ad valorem taxes
10/17/2013	2.00%	1,610,000	Urban renewal revenue refunding bonds	Charges for services

(18) Special Item.

In September 1998, the Mississippi Development Authority entered into a loan agreement with Winston County to provide a Community Development Block Grant (CDBG) loan to Southern Products, Inc. The company subsequently defaulted on the loan to the County and an allowance for uncollectible loans was recorded in the County's financial statements in a prior year. Proceeds from the sale of the land and building related to the loan were remitted to the Mississippi Development Authority.

On July 13, 2012, the Mississippi Development Authority notified Winston County that based on the County's good faith attempts to secure repayment of the capital lease receivable associated with this loan, the Mississippi Development Authority released the County of all obligations regarding this loan. As such, debt relating to the Southern Products CDBG loan reported in the governmental activities financial statements was removed. (See special item recorded in the Statement of Activities.)

WINSTON COUNTY

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WINSTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WINSTON COUNTY

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WINSTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2012  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,093,811	2,543,469	2,543,469	
Road and bridge privilege taxes		5,770	5,770	
Licenses, commissions and other revenue	287,500	267,590	267,590	
Fines and forfeitures	179,000	226,969	226,969	
Intergovernmental revenues	742,763	711,470	711,470	
Interest income	15,600	5,413	5,413	
Miscellaneous revenues	60,500	128,940	128,940	
Total Revenues	<u>3,379,174</u>	<u>3,889,621</u>	<u>3,889,621</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,242,333	2,225,360	2,225,360	
Public safety	821,030	816,751	816,751	
Public works	7,750	7,750	7,750	
Health and welfare	104,285	125,444	125,444	
Culture and recreation	169,102	148,778	148,778	
Education	225,000	112,529	112,529	
Conservation of natural resources	109,135	104,326	104,326	
Economic development and assistance	90,875	93,411	93,411	
Total Expenditures	<u>3,769,510</u>	<u>3,634,349</u>	<u>3,634,349</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(390,336)</u>	<u>255,272</u>	<u>255,272</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	29,039	99,404	99,404	
Transfers out	(135,000)	(103,911)	(103,911)	
Total Other Financing Sources and Uses	<u>(105,961)</u>	<u>(4,507)</u>	<u>(4,507)</u>	<u>0</u>
Net Change in Fund Balance	(496,297)	250,765	250,765	0
Fund Balances - Beginning	<u>5,629,000</u>	<u>6,539,593</u>	<u>6,539,593</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,132,703</u>	<u>6,790,358</u>	<u>6,790,358</u>	<u>0</u>

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

WINSTON COUNTY

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

CAP Repayment Polo Fund

For the Year Ended September 30, 2012

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$		16,641	16,641
Total Revenues	<u>0</u>	<u>0</u>	<u>16,641</u>	<u>16,641</u>
<b>EXPENDITURES</b>				
Current:				
Debt service:				
Principal			26,618	(26,618)
Interest			<u>16,641</u>	<u>(16,641)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>43,259</u>	<u>(43,259)</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>(26,618)</u>	<u>(26,618)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease principal payments			26,618	26,618
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>26,618</u>	<u>26,618</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

WINSTON COUNTY

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

District 3 State Aid Road Fund

For the Year Ended September 30, 2012

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$	145,224	145,224	0
Total Revenues	<u>0</u>	<u>145,224</u>	<u>145,224</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works		139,514	139,514	0
Total Expenditures	<u>0</u>	<u>139,514</u>	<u>139,514</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>5,710</u>	<u>5,710</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance		5,710	5,710	0
Fund Balances - Beginning	<u>3,686</u>	<u>121,747</u>	<u>121,747</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 3,686</u>	<u>127,457</u>	<u>127,457</u>	<u>0</u>

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

WINSTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 District 4 State Aid Road Fund  
 For the Year Ended September 30, 2012  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 9,640	86,021	86,021	0
Total Revenues	<u>9,640</u>	<u>86,021</u>	<u>86,021</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	9,640	66,860	66,860	0
Total Expenditures	<u>9,640</u>	<u>66,860</u>	<u>66,860</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>19,161</u>	<u>19,161</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	19,161	19,161	0
Fund Balances - Beginning	<u>0</u>	<u>9,641</u>	<u>9,641</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>28,802</u>	<u>28,802</u>	<u>0</u>

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

WINSTON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2012

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	Cap Repayment Polo Fund	District 3 State Aid Road Fund	District 4 State Aid Road Fund
Budget (Cash Basis)	\$ 250,765	0	5,710	19,161
Increase (Decrease)				
Net adjustments for revenue accruals	(237,241)	43,259	371,733	917,759
Net adjustments for expenditure accruals	161,512	(43,259)	(372,844)	(917,759)
GAAP Basis	\$ <u>175,036</u>	<u>0</u>	<u>4,599</u>	<u>19,161</u>

WINSTON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2012

D. Unbudgeted Fund.

The following fund was not budgeted for the year ended September 30, 2012:

Special Revenue Fund:

CAP Repayment Polo Fund

The unbudgeted fund is in violation of state law. However, the County has no liability associated with the violation.

WINSTON COUNTY

SUPPLEMENTAL INFORMATION

WINSTON COUNTY

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WINSTON COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through the State of Mississippi Treasury Department Schools and roads - grants to states*	10.665	N/A	\$ <u>153,295</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1125-08-080-EM-01	1,500
Home investment partnerships program*	14.239	1221-M09-SG-280-968	<u>122,673</u>
Total U.S. Department of Housing and Urban Development			<u>124,173</u>
U.S. Department of Transportation/Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 076 B	19,300
Highway planning and construction	20.205	EFLH 0677 27 B	267
Highway planning and construction	20.205	PLH 0673 3 B	<u>119,191</u>
Subtotal			<u>138,758</u>
U.S. Department of Transportation/National Highway Traffic Safety Administration/Passed-through the Mississippi Department of Public Safety Alcohol open container requirements	20.607	12TA 1801	<u>29,329</u>
Total U.S. Department of Transportation			<u>168,087</u>
U.S. Department of Energy/ Passed-through the Mississippi Development Authority ARRA-Energy efficiency and conservation block grant program*	81.128	GT11-0810-0097	<u>114,598</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance (presidentially declared disasters)	97.036	FEMA-1972-DR	<u>1,771</u>
Hazard mitigation grant	97.039	HMGP19160018	<u>29,561</u>
Emergency management performance grants	97.042	12EMPG	21,152
Emergency management performance grants	97.042	11EMPG	<u>8,400</u>
Subtotal			<u>29,552</u>
Total U.S. Department of Homeland Security			<u>60,884</u>
Total Expenditures of Federal Awards			\$ <u><u>621,037</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

\* Denotes major federal award program

WINSTON COUNTY

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WINSTON COUNTY

OTHER INFORMATION

WINSTON COUNTY

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WINSTON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2012  
UNAUDITED

Name	Position	Company	Bond
James "Burr" Warner	Supervisor District 1	Fidelity and Deposit Company of Maryland	\$100,000
Luke Parkes	Supervisor District 2	Fidelity and Deposit Company of Maryland	\$100,000
Michael Peterson	Supervisor District 3	Fidelity and Deposit Company of Maryland	\$100,000
Gloria Turnipseed	Supervisor District 4	Fidelity and Deposit Company of Maryland	\$100,000
Larry Duran	Supervisor District 5	Fidelity and Deposit Company of Maryland	\$100,000
Julie Cunningham	Chancery Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Debbie Sullivan	Comptroller/payroll clerk	Fidelity and Deposit Company of Maryland	\$100,000
Jewel Dixon	Accounts Payable	Fidelity and Deposit Company of Maryland	\$100,000
Crystal Clark	Purchase Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Debbie Sullivan	Assistant Purchase Clerk	Fidelity and Deposit Company of Maryland	\$75,000
Phyllis Sullivan	Assistant Purchase Clerk - WCCRCF	Fidelity and Deposit Company of Maryland	\$100,000
Jewel Dixon	Receiving Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Gary Martin	Receiving Clerk Dist 1	Fidelity and Deposit Company of Maryland	\$100,000
Don Kemp	Receiving Clerk Dist 2	Fidelity and Deposit Company of Maryland	\$100,000
Chester Triplett	Receiving Clerk Dist 3	Fidelity and Deposit Company of Maryland	\$100,000
Amzi Triplett	Receiving Clerk Dist 4	Fidelity and Deposit Company of Maryland	\$100,000
Larry Boatner	Receiving Clerk Dist 5	Fidelity and Deposit Company of Maryland	\$100,000
Betty Cockrell	Assistant Receiving Clerk - WCCRCF	Fidelity and Deposit Company of Maryland	\$100,000
Monica Gill	Receiving Clerk - WCCRCF	Fidelity and Deposit Company of Maryland	\$100,000
Kathy Graham	Inventory Control Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Jeffery Deshun Davis	Inventory Control Clerk - WCCRCF	Fidelity and Deposit Company of Maryland	\$100,000
Roy Dale Fulton	Constable	Fidelity and Deposit Company of Maryland	\$50,000
Edward Hunt	Constable	Fidelity and Deposit Company of Maryland	\$50,000
Kim Ming	Circuit Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Melissa Fulton	Circuit Clerk deputy	Fidelity and Deposit Company of Maryland	\$100,000
Cathy Edwards	Circuit Clerk deputy	Fidelity and Deposit Company of Maryland	\$100,000
Jason Pugh	Sheriff	Fidelity and Deposit Company of Maryland	\$100,000
Timothy Palmer	Deputy Sheriff	Fidelity and Deposit Company of Maryland	\$50,000
Robert Beck	Justice Court Judge	Fidelity and Deposit Company of Maryland	\$100,000
Mike Fuller	Justice Court Judge	Fidelity and Deposit Company of Maryland	\$100,000
Tabitha Dempsey	Justice Court Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Erma Smith	Deputy Justice Court Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Matilda Miller	Deputy Justice Court Clerk	Fidelity and Deposit Company of Maryland	\$100,000
Larry Woodward	Tax Collector-Assessor	Fidelity and Deposit Company of Maryland	\$100,000
Wanda Coward	Tax Collector-Assessor deputy	Fidelity and Deposit Company of Maryland	\$100,000
Robin Clark	Tax Collector-Assessor deputy	Fidelity and Deposit Company of Maryland	\$100,000
Wendie Nettles	Tax Collector-Assessor deputy	Fidelity and Deposit Company of Maryland	\$100,000
Kelli Rives	Tax Collector-Assessor deputy	Fidelity and Deposit Company of Maryland	\$100,000
Shana Carter	Tax Collector-Assessor deputy	Fidelity and Deposit Company of Maryland	\$100,000
Maxine Robertson	Tax Collector-Assessor deputy	Fidelity and Deposit Company of Maryland	\$100,000
Merida Coleman	Tax Collector-Assessor deputy	Old Republic Surety Company	\$50,000
Betty Cockrell	Inmate Accounts Officer	Fidelity and Deposit Company of Maryland	\$100,000
Monica Gill	Booking Officer	Fidelity and Deposit Company of Maryland	\$25,000
Brenda Johnson	ACA Manager	Fidelity and Deposit Company of Maryland	\$10,000
Timothy Palmer	Warden	Fidelity and Deposit Company of Maryland	\$100,000
Phyllis Sullivan	Payroll Clerk	Fidelity and Deposit Company of Maryland	\$100,000

WINSTON COUNTY

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WINSTON COUNTY

SPECIAL REPORTS

WINSTON COUNTY

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

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

Members of the Board of Supervisors  
Winston County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 14, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Winston County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 Questioned Costs as 12-1, 12-2 and 12-3 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 Questioned Costs as 12-4, 12-5, 12-6 and 12-7 to be a significant deficiencies.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Winston County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated February 14, 2014, included within this document.

Winston County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Winston County's responses and, accordingly, we express no opinion on them.

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



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

February 14, 2014



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Winston County, Mississippi

Compliance

We have audited the compliance of Winston County, Mississippi (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect each of its major federal programs for the year ended September 30, 2012. Winston County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winston County, Mississippi's management. Our responsibility is to express an opinion on Winston County, Mississippi's compliance based on our audit.

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

In our opinion, Winston County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

The management of Winston County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winston County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Will-R. Dooss". The signature is written in a cursive style with a long horizontal stroke at the end.

WILLIAM R. DOOSS, CPA  
Director, Financial and Compliance Audit Division

February 14, 2014



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

**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  
Winston County, Mississippi

We have examined Winston 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, 2012. The Board of Supervisors of Winston 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 Winston 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, Winston County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

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 Winston 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.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

February 14, 2014

WINSTON COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2012

Schedule 1

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

WINSTON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

WINSTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2012

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

WINSTON COUNTY

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

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

Members of the Board of Supervisors  
Winston County, Mississippi

In planning and performing our audit of the financial statements of Winston County, Mississippi (the County) for the year ended September 30, 2012, we considered Winston 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 Winston 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 14, 2014, on the financial statements of Winston 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:

Board of Supervisors.

1. A budget should be prepared for all funds.

Finding

Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency Funds. As reported in the prior two years' audit reports, a budget was not prepared for the CAP Repayment POLO Fund. Failure to prepare a budget for all funds is a violation of state law.

Recommendation

The Board of Supervisors should prepare a budget for all funds, except Trust and Agency Funds.

### Board of Supervisors' Response

The CAP Repayment Polo Fund will be reflected in the 2014 budget.

2. Claim numbers should be included on warrants and supporting invoices.

### Finding

Section 19-13-29, Miss. Code Ann. (1972), requires when issuing any warrant under order of the board of supervisors to pay any one of said claims so numbered and kept, said clerk shall, "enter the number of the claim and designate the fund against which allowed in the body of the warrant so that the claim may be easily found and identified, and so that possible duplication may be avoided." As reported in the prior two years' audit reports, claim numbers are not being written or included on the claim invoice with the purchasing documentation. Failure to include the claim numbers on the claim invoices when warrants are issued to pay claims could result in duplication of claim numbers.

### Recommendation

The Board of Supervisors should ensure that claim numbers are written or included on the claim invoice when warrants are issued for payment of claims.

### Board of Supervisors' Response

Data Systems Management has helped Winston County Accounts Payable office put in place the printing of a cover sheet for each claim. The Accounts Payable Clerk and I review each invoice before I sign it. I am also working to check the coding as entered by the Accounts Payable Clerk. I hand sign the checks as was the suggestions of the State Auditors in 2012.

3. Claim numbers for approved claims should be recorded in board minutes.

### Finding

Section 19-13-31, Miss. Code Ann. (1972), requires that "the board enter an order on its minutes approving the demands and accounts allowed, but it shall only be necessary to refer to such demands and accounts by the numbers as they appear on the claims docket." As reported in the prior two years' audit reports, the Board of Supervisors failed to list the claims approved for payment in the board minutes. Failure to record claim numbers could allow claims not approved by the board to be added to the claims docket and paid without board approval.

### Recommendation

The Board of Supervisors should ensure that the approved claim numbers are spread on the board minutes.

### Board of Supervisors' Response

All demands and accounts payable are currently reflected on board minutes.

4. Interfund loans should be repaid on a timely basis.

### Finding

As reported in the prior year audit report, the County has interfund loans outstanding that are over a year old. These interfund advances totaled \$302,717 as of September 30, 2012. These interfund advances include \$65,946 and \$46,596 related to indirect costs associated with housing prisoners and garbage collection, respectively. The Mississippi Code is silent regarding the authority of the county to make these loans and failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

The Board of Supervisors should ensure that these loans are repaid as soon as possible.

Board of Supervisors' Response

The Solid Waste advance of \$46,596 has been repaid. The Correctional Facility advance of \$65,946 has been repaid.

5. The county budget should be recorded in detail in the board minutes.

Finding

Section 19-11-11, Miss. Code Ann. (1972) requires the budget of expenses, revenues and working cash balance for each fund to be recorded in detail in the board minutes. The original approved budget for fiscal year 2012-2013 and the final amended budget for fiscal year 2011-2012 were not recorded in detail in the board minutes. Failure to record the budgets for each fund in detail in the board minutes could result in the county spending funds in a manner not consistent with the budget approved by the Board of Supervisors.

Recommendation

The Board of Supervisors should record the original budget adopted and the final amended budget in detail in the board minutes, as required by law.

Board of Supervisors' Response

In the future, the budget of expenses, revenues and working cash balance for each fund will be recorded in detail in our board minutes.

Chancery Clerk.

6. Paying claims prior to approval by the Board of Supervisors.

Finding

Section 19-13-31, Miss. Code Ann. (1972), requires that at each regular meeting of the board, the claims docket shall be called and all claims then on file, not previously rejected or allowed, shall be passed upon in the order in which they are entered upon the docket. The Chancery Clerk may be authorized by an order of the Board of Supervisors entered upon its minutes, to issue pay certificates against the legal and proper fund for the salaries of officials and employees of the county or any department, office or official thereof without prior approval by the Board of Supervisors. Each month a number of checks are processed to pay claims, other than payroll, that have not been pre-approved by the Board of Supervisors. These payments are reviewed and approved by the Board of Supervisors at the month's first meeting typically after the checks are mailed. This condition could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Chancery Clerk should not process claims, other than payroll, before approval of the Board of Supervisors.

Chancery Clerk's Response

The end of the month checks are spooled up to be printed on the first day of each month. At the first Board of Supervisors meeting, the Claims Docket is examined by the Board. The checks are mailed after the board meeting. I have begun giving a list of Claims to each department head for their approval before the checks are printed. The Auditor also suggested that I list the Claims numbers in the Board minutes each month. I will not process claims, other than payroll, before they have been approved by the Board of Supervisors.

7. The County should submit reports to the State Treasurer for the collateralization of public funds.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. As reported in the prior year audit report, the following duties were not performed:

- a. The report from the State Treasurer was not reconciled to the County's bank records.
- b. Bank officials were not notified when increases in deposits exceeded 25% of the average daily deposit.

Without accurate and timely reconciliation of the reports, the risk increases that the County's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure that the report is submitted with accurate amounts as of September 30<sup>th</sup> by October 31<sup>st</sup>.

Chancery Clerk's Response

I was unaware that the change had been made for counties to obtain this information online. I will register online with the State Treasurer's office and will ensure the reconciliation function is prepared and the bank is notified when appropriate.

8. Chancery Clerk should settle junior/community college tax levy proceeds.

Finding

Section 37-29-143, Miss. Code Ann. (1972), requires the Chancery Clerk to settle junior/community college tax levy proceeds on or before the last day of each month. The Chancery Clerk did not settle these collections as required. Failure to settle amounts to the community college monthly could cause a short fall for the community college.

Recommendation

The Chancery Clerk should comply with the law's requirement of settling community college collections monthly.

Chancery Clerk's Response

I will settle the Community College tax levy proceeds on or before the last day of each month.

9. Chancery Clerk should properly maintain a fee journal.

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. A fee journal was not maintained for 2012. Failure to maintain a fee journal could result in the loss of public funds.

Recommendation

The Chancery Clerk should maintain a fee journal to account for the receipts and expenses related to the operation of the office, as required by law.

Chancery Clerk's Response

I will maintain my fee journal to account for receipts and expenses related to the operation of the Chancery Clerk's office. I have sought advice from the State Auditor's Office and other Chancery Clerk's for the most efficient method of keeping a fee journal.

10. The Chancery Clerk should report revenue in the correct category on the annual fee report.

Finding

Section 9-1-45(1), Miss. Code Ann. (1972), requires each Chancery Clerk to file a true and accurate annual report not later than April 15<sup>th</sup> for the preceding year. The report shall include: (a) revenues subject to the salary cap, including fees; (b) revenues not subject to the salary cap; and (c) expenses of office, including any salary paid to a clerk's spouse or children.

- a. The report for calendar year 2012 was filed on May 3, 2013.
- b. Revenue for Homestead Services which is not subject to the cap was reported with Court per Diem revenue on Part 1 of the form for revenue which is subject to the cap.
- c. Revenue for Copying Tax Roll which is subject to the cap was reported with Court per Diem revenue on Part 1 of the form for revenue which is subject to the cap.
- d. Fee income reported for Land Sale, Delinquent Taxes, Redistricting includes land redemption fees collected in December 2012 and settled to the clerk in January 2013 of \$776 which should be reported as revenue in calendar year 2013 when it was received by the clerk .
- e. The preparer of the 2012 annual fee report corrected the clerk's expenditures to include a payroll expense of \$2,315.
- f. The Chancery Clerk deposited one payroll check from the county for \$2,416 into her personal bank account instead of the fee journal bank account on March 30, 2012. However, the revenue is reported on the 2012 annual fee report.
- g. Homestead services and copying tax roll revenue is not identified in the Chancery Clerk's bookkeeping software program.
- h. The amount reported on the annual fee report as Fee Income for Recording Filing, Indexing, and Copies is \$5,790 less than the amount on the supporting document provided by the Chancery Clerk.

Failure to maintain supporting journals and records could cause the annual financial report to be misstated and could cause the loss of public funds to the County.

Recommendation

The Chancery Clerk should maintain accurate and complete supporting documentation to be used to correctly prepare the annual fee report so it agrees with the amounts in the fee account cash journal.

Chancery Clerk's Response

I will maintain accurate and supporting documentation to be used in the preparation of my yearly financial report. For 2012, I filed my report with PERS, and overlooked sending it to the State Auditor's Office. I will file my report on time for 2013. I have sought help from the State Auditor's Office and from other Chancery Clerk's with maintaining my fee journal. I have repaid Winston County in the amount of \$2,315.14 for payroll for my employees which I overlooked in 2012.

11. Chancery Clerk should pay the County timely for deputies' payroll processed through the County.

Finding

The Chancery Clerk employs deputies whose payroll is processed with the County's payroll and the County should be reimbursed for the payroll by the Chancery Clerk. The Chancery Clerk did not reimburse the County \$2,315 for her deputies' payroll for one pay period in calendar year 2012. Effectively, the Chancery Clerk is one payroll period behind on reimbursing the County. This allowed the Chancery Clerk to receive an interest free loan from the County for one payroll period.

Recommendation

The Chancery Clerk should pay the County \$2,315.

Chancery Clerk's Response:

I will pay the County in a timely manner for my deputies' salaries. There was an oversight in 2012 when our payroll clerk was on vacation and I failed to reimburse the County. However, as soon as the Auditor made me aware of this, I paid the \$2,315.14 by check number 1042 to Winston County. The payroll date was March 30, 2012.

Auditor's Note

On July 25, 2013, the Chancery Clerk paid \$2,315.14 to the County as evidenced by Receipt No. 2011-22486.

12. Chancery Clerk's fee journal included some undocumented expenses that are considered disallowed.

Finding

Section 9-1-43, Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. Several expenses deducted against income cannot be construed as either ordinary or necessary. The total of the disallowed expenses is \$210. The Chancery Clerk claimed expenses for which supporting documents were not available or which were not considered ordinary or necessary. Deducting expenses against income which are not ordinary or necessary could result in the loss of public funds.

Recommendation

The Chancery Clerk should provide documentation for expenses claimed as deductions against compensation received as Chancery Clerk.

Chancery Clerk's Response

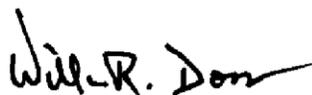
I will provide documentation for expenses claimed as deductions against the compensation I receive as Chancery Clerk for the 2013 year.

Auditor's Note

The disallowed expenses did not result in the Chancery Clerk exceeding the salary limitation, so no funds were owed to the county.

Winston 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.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

February 14, 2014

WINSTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WINSTON COUNTY

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WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting:                   |             |
|    | a. Material weaknesses identified?                           | Yes         |
|    | b. Significant deficiencies identified?                      | Yes         |
| 3. | Noncompliance material to the financial statements noted?    | No          |

***Federal Awards:***

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness identified?   | No            |
|    | b. Significant deficiency identified?  | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs:  | Unqualified   |
| 6. | Any audit finding disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No            |
| 7. | Federal programs identified as major programs:   |               |
|    | a. Schools and roads – grants to states, CFDA #10.665  |               |
|    | b. Home investment partnerships program, CFDA #14.239  |               |
|    | c. ARRA-Energy efficiency and conservation block grant program, CFDA #81.128   |               |
| 8. | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9. | Auditee qualified as a low-risk auditee?   | No            |

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1. An adequate system of internal control over payroll procedures should be implemented.

Finding

An effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. As reported in the prior five years' audit reports, inadequate controls exist in the payroll function. The employment and salaries of county employees are not filed in the individual personnel files. This is due to a lack of segregation of duties and management oversight. Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Recommendation

The Board of Supervisors should implement an adequate system of internal control over the county payroll function. An adequate system should include the following control features:

- a. Responsibilities for the supervision and time-keeping function should be separate from personnel, payroll processing, disbursement and general ledger functions.
- b. Documentation for all payroll and employment status changes should be kept in each individual personnel file.

Board of Supervisors' Response

The Chancery Clerk will perform random checks to compare time sheets to payroll checks for each pay period. The clerk will document oversight of the payroll function.

Material Weakness

- 12-2. Effective internal control policies should be implemented over bookkeeping functions.

Finding

An effective system of internal control over the accounting functions should include an adequate segregation of duties in the collection, deposit preparation, disbursement, general journal, recording and reconciling functions. Collection, deposit preparation, disbursement, general journal, recording and reconciling functions are not adequately segregated to assure adequate internal control. As reported in the prior two years' audit reports, the comptroller can receipt funds, prepare deposits, post the receipts to the general ledger, record general journal entries and prepare the bank reconciliations. In addition both accounts payable clerk and comptroller can print checks with the Chancery Clerk's signature and there is no oversight by the Board of Supervisors or the Chancery Clerk before checks are sent or delivered. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal policies that will allow proper segregation of duties for collection, deposit, preparation, disbursement, general journal, recording, and reconciling functions.

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Board of Supervisors' Response

The accounts payable clerk can no longer print checks with the clerk's signature. The Chancery Clerk hand signs accounts payable checks. The clerk also reviews bank reconciliations as performed by the bookkeeper. The clerk receives Paymode reports online for funds received by direct deposit for Winston County.

Justice Court Clerk.

Material Weakness

- 12-3. An effective system of internal control should be implemented in the Justice Court Office.

Finding

An effective system of internal control in Justice Court should include an adequate separation of duties over accounting for the collection, recording, and disbursement functions. As reported in the prior three years' audit reports, the Justice Court Clerk receipts funds, prepares deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds relative to the civil cases. Failure to have adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should separate the civil case duties within the office.

Justice Court Clerk's Response

An adequate separation of duties is difficult in the Justice Court Office as we only have two people bonded to receipt money and one of those is the Clerk. We will try to put in place a system where an outside individual within the Courthouse can check the Justice Court Journal and reconcile the bank statement.

Sheriff.

Significant Deficiency

- 12-4. Controls over cash collections and disbursements in the Sheriff's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Sheriff's office are not adequately segregated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Sheriff should implement a system of review of the accounting records by another person.

Sheriff's Response

The Sheriff will review all settlements and bank reconciliations and sign off on them.

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Significant Deficiency

- 12-5. Effective internal controls should be implemented over deposits in the Sheriff's office.

Finding

An effective system of internal control over the collection of cash should include making deposits on a timely basis. As reported in the prior three years' audit reports, the Sheriff's office was not making timely deposits. Failure to make timely deposits could result in the loss of public funds.

Recommendation

The Sheriff should ensure that all funds received are deposited in a timely manner.

Sheriff's Response

Office manager has been advised that it is mandatory to make weekly deposits.

Significant Deficiency

- 12-6. Effective internal controls should be implemented over settlements in the Sheriff's office.

Finding

An effective system of internal control over settlements should include making a settlement to the county each month. The Sheriff's office was not making monthly settlements. Failure to make monthly settlements could result in the loss of public funds.

Recommendation

The Sheriff should ensure that all funds received are settled to the county each month.

Sheriff's Response

Office manager will make a settlement once a month and withstanding sickness and vacation will make this settlement before the tenth of each month.

Tax Assessor-Collector.

Significant Deficiency

- 12-7. Tax Collector should keep all original and voided receipts.

Finding

An effective system of internal control in the Tax Collector's office should include a policy of retaining the original copy of all receipts on file. Solid waste receipts for funds collected on July 13, 2012 were posted to July 11, 2012 and the original receipts and voided receipts were not kept. Failure to keep the original copy of all voided receipts could result in the loss or misappropriation of public funds.

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Recommendation

The Tax Assessor-Collector should keep original copies of all receipts.

Tax Assessor-Collector's Response

Solid waste receipts are forwarded daily to the Solid Waste office where they are filed. We will ensure that all receipts are properly forwarded and maintain original of any voided receipts in the tax office.

Section 3: Federal Award Findings and Questioned Costs

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

WINSTON COUNTY

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WINSTON COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

WINSTON COUNTY

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*Julie Cunningham*

CHANCERY CLERK  
WINSTON COUNTY  
P.O. DRAWER 69  
LOUISVILLE, MISSISSIPPI 39339  
(662) 773-3631  
(662) 773-8814 FAX

**BOARD OF SUPERVISORS**

James "Burr" Warner, District 1  
Luke Parkes, District 2  
Michael Peterson, District 3  
Gloria Turnipseed, District 4  
Larry Duran, District 5

**COMPTROLLER**

Debbie Sullivan

**PURCHASE CLERK**

Crystal Clark

**DEPUTY CLERKS**

Kimberly Higgason  
Elizabeth Pollard

July 11, 2013

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

Dear Sirs:

Winston County respectfully submits the following summary schedule or prior audit findings relative to federal awards:

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, 2012 AUDIT**

**CONDITION:** The county should monitor subrecipient's use of federal funds.

Program: CFDA #15.608 Project #401816G048  
U.S. Department of the Interior- Fish and Wildlife Service  
Noxubee National Wildlife Refuge  
Fish and Wildlife Management Assistance

Compliance Requirement: Subrecipient monitoring

**The OMB** Circular A-133 Compliance Supplement specifies that the pass-through entity should monitor subrecipients through reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contract and grant agreements and performance goals are achieved. During our final audit test of procedures, we noted that there were not procedures in place to monitor the Division of State Aid Road's use of federal

awards in regard to the Loakfoma Road project. Without adequate controls to monitor the subrecipient's use of federal funds, the county could fail to comply with federal requirements. Also, federal noncompliance could occur and not be detected promptly.

**RECOMMENDATION:** The Winston County Board of Supervisors should take steps to ensure that monitoring procedures are implemented to oversee subrecipients of federal awards.

**CURRENT STATUS:** Corrective action was taken.

Sincerely yours,



Julie Cunningham, Chancery Clerk  
Winston County, Mississippi