

WINSTON COUNTY, MISSISSIPPI

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

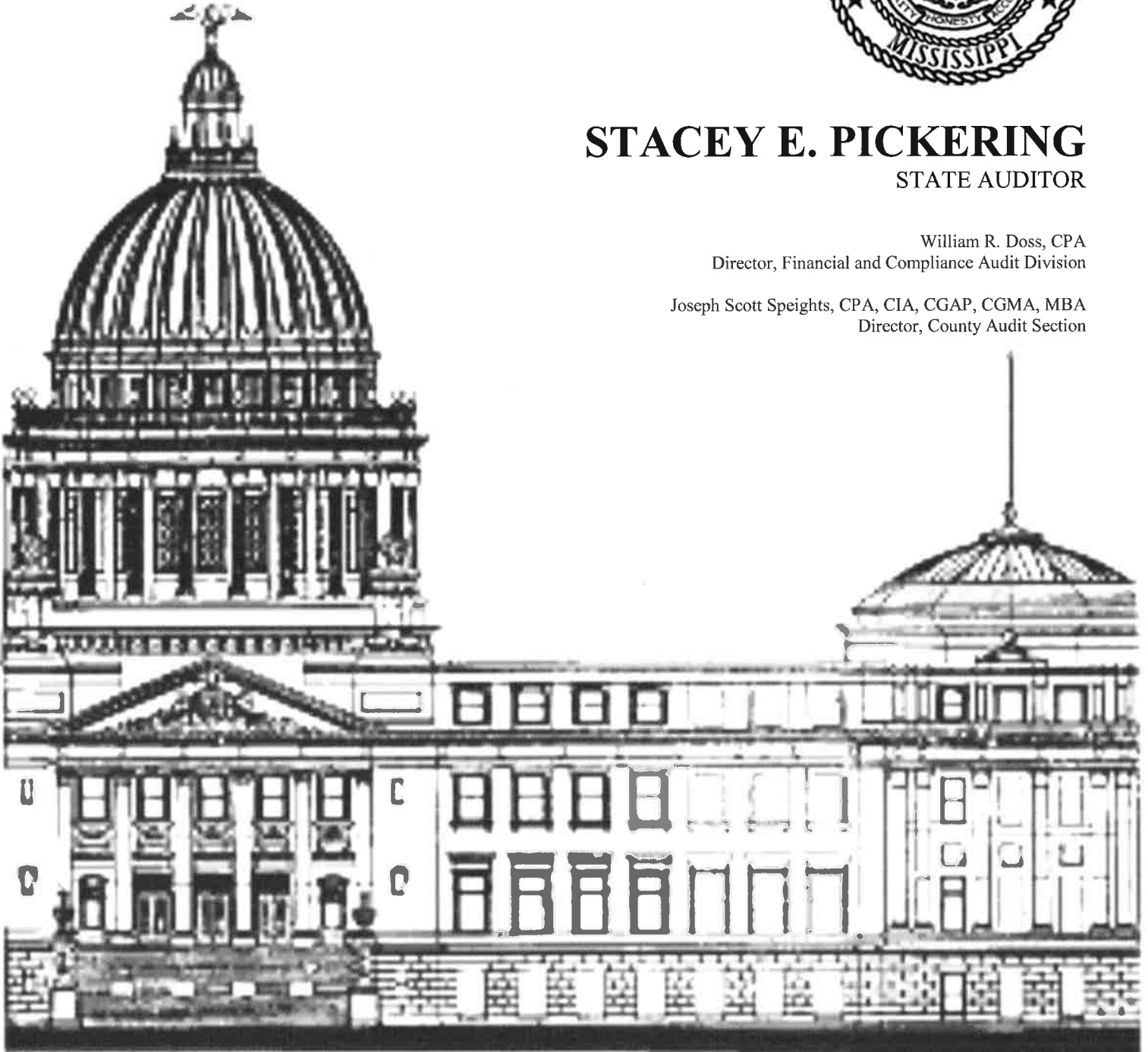


STACEY E. PICKERING

STATE AUDITOR

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

Joseph Scott Speights, CPA, CIA, CGAP, CGMA, 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

May 4, 2015

Members of the Board of Supervisors
Winston County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 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", is written over a horizontal line.

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winston County, Mississippi's internal control over financial reporting and compliance.



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

May 4, 2015

WINSTON COUNTY

FINANCIAL STATEMENTS

WINSTON COUNTY

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WINSTON COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 10,084,648	566,892	10,651,540
Restricted assets - investments		2,160,866	2,160,866
Property tax receivable	2,656,314		2,656,314
Accounts receivable (net of allowance for uncollectibles of \$710,998)		116,524	116,524
Fines receivable (net of allowance for uncollectibles of \$1,374,470)	137,674		137,674
Capital leases receivable	634,459		634,459
Intergovernmental receivables	214,605	279,629	494,234
Other receivables	118,444	15,263	133,707
Internal balances	276,267	(276,267)	0
Deferred charges - bond issuance costs		69,740	69,740
Capital assets:			
Land and construction in progress	2,628,388	54,000	2,682,388
Other capital assets, net	24,851,323	3,902,593	28,753,916
Total Assets	<u>41,602,122</u>	<u>6,889,240</u>	<u>48,491,362</u>
LIABILITIES			
Claims payable	282,475	163,292	445,767
Intergovernmental payables	176,793		176,793
Accrued interest payable	1,231	43,700	44,931
Deferred revenue	2,778,000		2,778,000
Other payables	43,194		43,194
Long-term liabilities			
Due within one year:			
Capital debt	190,269	409,870	600,139
Non-capital debt	28,262		28,262
Due in more than one year:			
Capital debt	400,569	1,794,614	2,195,183
Non-capital debt	522,552	16,816	539,368
Total Liabilities	<u>4,423,345</u>	<u>2,428,292</u>	<u>6,851,637</u>
NET POSITION			
Net investment in capital assets	26,888,873	1,752,109	28,640,982
Restricted for:			
Expendable:			
General government	205,202		205,202
Public safety	506,359	1,466,868	1,973,227
Public works	1,819,430	409,972	2,229,402
Health and welfare	8,386		8,386
Debt service		831,999	831,999
Unemployment compensation	29,039		29,039
Unrestricted	7,721,488		7,721,488
Total Net Position	<u>\$ 37,178,777</u>	<u>4,460,948</u>	<u>41,639,725</u>

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

WINSTON COUNTY

Statement of Activities

For the Year Ended September 30, 2013

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	
					Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 2,119,580	577,799	22,788		(1,518,993)	(1,518,993)
Public safety	1,293,521	310,078	676,229		(307,214)	(307,214)
Public works	2,315,606	3,000	188,676	2,280,871	156,941	156,941
Health and welfare	127,077		38,315		(88,762)	(88,762)
Culture and recreation	181,512				(181,512)	(181,512)
Education	83,846				(83,846)	(83,846)
Conservation of natural resources	108,549				(108,549)	(108,549)
Economic development and assistance	367,551		47,950		(319,601)	(319,601)
Interest on long-term debt	26,711				(26,711)	(26,711)
Total Governmental Activities	6,623,953	890,877	973,958	2,280,871	(2,478,247)	(2,478,247)
Business-type activities:						
Correctional facility	3,228,291	3,348,763				120,472
Solid waste	347,566	394,903				47,337
Total Business-type Activities	3,575,857	3,743,666	0	0	167,809	167,809
Total Primary Government	\$ 10,199,810	4,634,543	973,958	2,280,871	(2,478,247)	(2,310,438)
General revenues:						
Property taxes	\$ 3,521,278				3,521,278	
Road & bridge privilege taxes	214,171				214,171	
Grants and contributions not restricted to specific programs	448,993				448,993	
Unrestricted interest income	28,825				782	29,607
Miscellaneous	387,452				63,748	451,200
Total General Revenues	4,600,719				4,665,249	
Changes in Net Position	2,122,472				232,339	2,354,811
Net Position - Beginning as previously reported	35,047,098				4,228,609	39,275,707
Prior period adjustment	9,207				9,207	9,207
Net Position - Beginning, as restated	35,056,305				4,228,609	39,284,914
Net Position - Ending	\$ 37,178,777				4,460,948	41,639,725

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

WINSTON COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	Major Funds				
	General Fund	CAP Repayment Polo Fund	District 3 State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 6,728,392		11,321	3,344,935	10,084,648
Property tax receivable	1,888,051			768,263	2,656,314
Fines receivable (net of allowance for uncollectibles of \$1,374,470)	137,674				137,674
Capital leases receivable		634,459			634,459
Intergovernmental receivables	148,237		40,621	25,747	214,605
Other receivables	6,017			42,212	48,229
Due from other funds	132,404			33,497	165,901
Advances to other funds	295,450			23,638	319,088
Total Assets	<u>\$ 9,336,225</u>	<u>634,459</u>	<u>51,942</u>	<u>4,238,292</u>	<u>14,260,918</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 109,505		40,621	132,349	282,475
Intergovernmental payables	176,793				176,793
Due to other funds	42,252			6,306	48,558
Advances from other funds	19,532			70,417	89,949
Deferred revenue	2,025,725	634,459		768,263	3,428,447
Other payables	43,194				43,194
Total Liabilities	<u>\$ 2,417,001</u>	<u>634,459</u>	<u>40,621</u>	<u>977,335</u>	<u>4,069,416</u>
Fund balances:					
Nonspendable:					
Advances	295,450				295,450
Restricted for:					
General government				205,202	205,202
Public safety				507,590	507,590
Public works			11,321	1,808,109	1,819,430
Health and welfare				8,386	8,386
Unemployment compensation				29,039	29,039
Assigned to:					
Economic development and assistance				702,631	702,631
Unassigned	6,623,774				6,623,774
Total Fund Balances	<u>\$ 6,919,224</u>	<u>0</u>	<u>11,321</u>	<u>3,260,957</u>	<u>10,191,502</u>
Total Liabilities and Fund Balances	<u>\$ 9,336,225</u>	<u>634,459</u>	<u>51,942</u>	<u>4,238,292</u>	<u>14,260,918</u>

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

WINSTON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,191,502
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$33,085,913.	27,479,711
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	137,674
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,141,652)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(1,231)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>512,773</u>
Total Net Position - Governmental Activities	\$ <u><u>37,178,777</u></u>

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

WINSTON COUNTY

Exhibit 4

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

	Major Funds			Other	Total
	General	CAP	District 3	Governmental	Governmental
	Fund	Repayment	State Aid	Funds	Funds
		Polo Fund	Road Fund		
REVENUES					
Property taxes	\$ 2,544,196			977,082	3,521,278
Road and bridge privilege taxes				214,171	214,171
Licenses, commissions and other revenue	320,545			85,009	405,554
Fines and forfeitures	236,518			4,463	240,981
Intergovernmental revenues	564,536		2,185,399	953,887	3,703,822
Charges for services				204,402	204,402
Interest income	9,365	15,831		3,629	28,825
Miscellaneous revenues	21,149			365,003	386,152
Total Revenues	<u>3,696,309</u>	<u>15,831</u>	<u>2,185,399</u>	<u>2,807,646</u>	<u>8,705,185</u>
EXPENDITURES					
Current:					
General government	1,901,600			221,076	2,122,676
Public safety	962,418			356,113	1,318,531
Public works	7,750		2,184,913	2,371,217	4,563,880
Health and welfare	110,175			13,131	123,306
Culture and recreation	176,420				176,420
Education	83,846				83,846
Conservation of natural resources	108,549				108,549
Economic development and assistance	20,000			346,780	366,780
Debt service:					
Principal	25,000	27,428		112,717	165,145
Interest		15,831		10,786	26,617
Total Expenditures	<u>3,395,758</u>	<u>43,259</u>	<u>2,184,913</u>	<u>3,431,820</u>	<u>9,055,750</u>
Excess of Revenues over (under) Expenditures	<u>300,551</u>	<u>(27,428)</u>	<u>486</u>	<u>(624,174)</u>	<u>(350,565)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	81,494			368,987	450,481
Proceeds from sale of capital assets	3,933				3,933
Transfers in	6,500			184,773	191,273
Transfers out	(106,973)			(84,300)	(191,273)
Lease principal payments		27,428			27,428
Total Other Financing Sources and Uses	<u>(15,046)</u>	<u>27,428</u>	<u>0</u>	<u>469,460</u>	<u>481,842</u>
Net Changes in Fund Balances	<u>285,505</u>	<u>0</u>	<u>486</u>	<u>(154,714)</u>	<u>131,277</u>
Fund Balances - Beginning	<u>6,633,719</u>	<u>0</u>	<u>10,835</u>	<u>3,415,671</u>	<u>10,060,225</u>
Fund Balances - Ending	<u>\$ 6,919,224</u>	<u>0</u>	<u>11,321</u>	<u>3,260,957</u>	<u>10,191,502</u>

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, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 131,277
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,960,842 exceeded depreciation of \$679,224 in the current period.	2,281,618
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$5,624 and the proceeds from the sale of \$3,933 in the current period and the prior period	(9,557)
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.	39,940
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$450,481 exceeded debt repayments of \$165,145.	(285,336)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences payable	(7,948)
Increase in accrued interest payable	(94)
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 position differs from change in fund balances by the principal collections on the capital leases.	(27,428)
Change in Net Position of Governmental Activities	\$ <u>2,122,472</u>

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

WINSTON COUNTY
Statement of Net Position - Proprietary Funds
September 30, 2013

Exhibit 5

Business-type Activities - Enterprise Funds			
Major Funds:			
	Correctional Facility Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash	\$ 208,527	358,365	566,892
Restricted assets - investments	2,160,866		2,160,866
Accounts receivable (net of allowance for uncollectibles of \$710,998)		116,524	116,524
Intergovernmental receivables	279,629		279,629
Other receivables	9,168		9,168
Due from other funds	788	9,950	10,738
Advances to other funds	9,814		9,814
Total Current Assets	2,668,792	484,839	3,153,631
Noncurrent assets:			
Deferred charges - bond issuance cost	69,740		69,740
Capital assets:			
Land	54,000		54,000
Other capital assets, net	3,867,556	35,037	3,902,593
Total Noncurrent Assets	3,991,296	35,037	4,026,333
Total Assets	6,660,088	519,876	7,179,964
LIABILITIES			
Current liabilities:			
Claims payable	126,432	36,860	163,292
Due to other funds	93,504	14,350	107,854
Advances from other funds	159,725	23,145	182,870
Accrued interest payable	43,700		43,700
Capital debt:			
Other long-term liabilities	409,870		409,870
Total Current Liabilities	833,231	74,355	907,586
Noncurrent liabilities:			
Capital debt:			
Other long-term liabilities	1,794,614		1,794,614
Non-capital debt:			
Compensated absences payable	16,304	512	16,816
Total Noncurrent Liabilities	1,810,918	512	1,811,430
NET POSITION			
Net investment in capital assets	1,717,072	35,037	1,752,109
Restricted for:			
Debt service	831,999		831,999
Public safety	1,466,868		1,466,868
Public works		409,972	409,972
Total Net Position	\$ 4,015,939	445,009	4,460,948

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

WINSTON COUNTY

Exhibit 6

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

	Business-type Activities - Enterprise Funds		
	Major Funds		Totals
	Correctional Facility Fund	Solid Waste Fund	
Operating Revenues			
Charges for services	\$ 3,348,763	394,903	3,743,666
Miscellaneous	63,748		63,748
Total Operating Revenues	<u>3,412,511</u>	<u>394,903</u>	<u>3,807,414</u>
Operating Expenses			
Personal services	1,778,719	149,482	1,928,201
Contractual services	368,295	91,940	460,235
Materials and supplies	721,263	79,233	800,496
Depreciation expense	158,307	17,061	175,368
Indirect administrative cost	93,504	9,850	103,354
Amortization of deferred charges - bond issuance cost	12,568		12,568
Total Operating Expenses	<u>3,132,656</u>	<u>347,566</u>	<u>3,480,222</u>
Operating Income (Loss)	<u>279,855</u>	<u>47,337</u>	<u>327,192</u>
Nonoperating Revenues (Expenses)			
Interest income	427	355	782
Gain (loss) on sale of capital assets	(3,475)		(3,475)
Interest expense	(92,160)		(92,160)
Net Nonoperating Revenue (Expenses)	<u>(95,208)</u>	<u>355</u>	<u>(94,853)</u>
Net Income (Loss)	<u>184,647</u>	<u>47,692</u>	<u>232,339</u>
Changes in Net Position	<u>184,647</u>	<u>47,692</u>	<u>232,339</u>
Net Position - Beginning	<u>3,831,292</u>	<u>397,317</u>	<u>4,228,609</u>
Net Position - Ending	<u>\$ 4,015,939</u>	<u>445,009</u>	<u>4,460,948</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, 2013

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Correctional Facility Fund	Solid Waste Fund	Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 3,341,807	395,123	3,736,930
Payments to suppliers	(1,123,000)	(144,340)	(1,267,340)
Payments to employees	(1,737,624)	(149,788)	(1,887,412)
Payments to General Fund for indirect costs	(65,946)	(46,596)	(112,542)
Other operating cash receipts	61,443		61,443
Net Cash Provided (Used) by Operating Activities	476,680	54,399	531,079
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(40,807)		(40,807)
Principal paid on long-term debt	(385,000)		(385,000)
Interest paid on debt	(95,100)		(95,100)
Fees paid to trustee	(4,760)		(4,760)
Net Cash Provided (Used) by Capital and Related Financing Activities	(525,667)	0	(525,667)
Cash Flows From Investing Activities			
Interest on deposits	229	355	584
Interest on investments	198		198
Net Cash Provided (Used) by Investing Activities	427	355	782
Net Increase (Decrease) in Cash and Cash Equivalents	(48,560)	54,754	6,194
Cash and Cash Equivalents at Beginning of Year	2,417,953	303,611	2,721,564
Cash and Cash Equivalents at End of Year	\$ 2,369,393	358,365	2,727,758
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 279,855	47,337	327,192
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	158,307	17,061	175,368
Amortization expense	12,568		12,568
Provision for uncollectible accounts		7,249	7,249
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(5,732)	(5,732)
(Increase) decrease in intergovernmental receivables	(4,502)		(4,502)
(Increase) decrease in other receivables	(4,759)		(4,759)
(Increase) decrease in interfund receivable		(1,297)	(1,297)
Increase (decrease) in claims payable	8,515	23,612	32,127
Increase (decrease) in compensated absences liability	(862)	(1,585)	(2,447)
Increase (decrease) in interfund payables	27,558	(32,246)	(4,688)
Total Adjustments	196,825	7,062	203,887
Net Cash Provided (Used) by Operating Activities	\$ 476,680	54,399	531,079

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

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

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 197,458
Total Assets	\$ 197,458
LIABILITIES	
Amounts held in custody for others	\$ 19,910
Intergovernmental payables	101,238
Due to other funds	20,227
Advances from other funds	56,083
Total Liabilities	\$ 197,458

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

WINSTON COUNTY

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

(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 Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other 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 Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

WINSTON COUNTY

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

individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

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

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

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

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.

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 TYPES

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

WINSTON COUNTY

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

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.

WINSTON COUNTY

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

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.

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:

	Capitalization Thresholds	Estimated Useful Life
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.

WINSTON COUNTY

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

Government fund balance is classified as 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 Board of Supervisors.

WINSTON COUNTY

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

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

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

WINSTON COUNTY

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

O. Changes in Accounting Standards.

The County implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities

Explanation	Amount
To correct prior year error in capital assets, net	\$ 9,207

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$10,848,998, and the bank balance was \$10,917,684. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments:

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, 2013, are as follows:

Business-type Activities:

Investment Type	Maturities	Fair Value	Rating
Hancock Horizon Treasury Securities			
Money Market Mutual Fund	Less than one year	\$ 2,160,866	AAAm

WINSTON COUNTY

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

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, 2013:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 4,323
General Fund	Correctional Facility Fund	93,504
General Fund	Solid Waste Fund	14,350
General Fund	Agency Funds	20,227
Other Governmental Funds	General Fund	31,514
Other Governmental Funds	Other Governmental Funds	1,983
Correctional Facility Fund	General Fund	788
Solid Waste Fund	General Fund	9,950
Total		\$ 176,639

The amount due to the General Fund from the Correctional Facility Fund represents indirect administrative costs incurred during the September 30, 2013, fiscal year. The amount due to the General Fund from the Solid Waste Fund represents indirect administrative costs incurred during the September 30, 2013, fiscal year and the correction of a posting error. The amount due to the General Fund from the Other Governmental Funds represents the correction of expenses paid for another fund by the General Fund in error. 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 2013, but not remitted to the County until October 2013. The amount due to General Fund from the Agency Funds is due to posting errors and over payments in the current year. The amounts due to the Correctional Facility from the General Fund are the correction of posting errors. The amount due to Other Governmental Funds from Other Governmental Funds is the correction of a posting error. All interfund balances are expected to be repaid within one year from the date of the financial statements.

WINSTON COUNTY

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

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 70,417
General Fund	Correctional Facility Fund	159,725
General Fund	Solid Waste Fund	15,320
General Fund	Agency Funds	49,988
Other Governmental Funds	General Fund	15,813
Other Governmental Funds	Solid Waste Fund	7,825
Correctional Facility Fund	General Fund	3,719
Correctional Facility Fund	Agency Funds	6,095
Total		\$ 328,902

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 and posting errors. The amount due to General Fund and Correctional Facility Fund from the Agency Funds is due to posting errors and over payments. The amounts due to the Other Governmental Funds and the Correctional Facility Fund from the General Fund represent posting errors from prior fiscal years which have not been corrected. None of the advances are expected to be paid within one year.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 6,500
Other Governmental Funds	General Fund	106,973
Other Governmental Funds	Other Governmental Funds	77,800
Total		\$ 191,273

The principal purpose of interfund transfers was to provide funds for volunteer fire expenditures and road maintenance 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.

(5) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 87,146
State aid road reimbursement	40,621
State of Mississippi – DUI officer grant	25,970
Civil defense reimbursement	24,681
Motor vehicle fuel payments	21,658
Motor vehicle license payments	7,556
Department of Health and Human Services reimbursement	3,337
Other	3,636
Total Governmental Activities	\$ 214,605

WINSTON COUNTY

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

Description	Amount
Business-type Activities:	
MDOC reimbursement for housing prisoners	\$ 267,854
Other local government payments for housing prisoners	11,775
Total Business-type Activities	<u>\$ 279,629</u>

(6) **Restricted Assets.**

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

Excess revenue	\$ 725,657
Revenue	82,067
Debt service reserve	383,299
Insurance payment	20,868
Depreciation and operating reserve	500,275
General	448,700
Total restricted assets	<u>\$ 2,160,866</u>

(7) **Capital Assets.**

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

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 658,664	16,000			674,664
Construction in progress	1,342,257	2,280,870		(1,669,403)	1,953,724
Total non-depreciable capital assets	<u>2,000,921</u>	<u>2,296,870</u>	<u>0</u>	<u>(1,669,403)</u>	<u>2,628,388</u>
Depreciable capital assets:					
Infrastructure	44,423,038			1,678,610	46,101,648
Buildings	4,241,882				4,241,882
Improvements other than buildings	373,916				373,916
Mobile equipment	5,832,896	186,016	91,419		5,927,493
Furniture and equipment	511,667	27,475	41,741		497,401
Leased property under capital leases	344,415	450,481			794,896
Total depreciable capital assets	<u>55,727,814</u>	<u>663,972</u>	<u>133,160</u>	<u>1,678,610</u>	<u>57,937,236</u>
Less accumulated depreciation for:					
Infrastructure	24,076,235	418,583			24,494,818
Buildings	3,063,153	19,581			3,082,734
Improvements other than buildings	93,734	14,957			108,691
Mobile equipment	4,797,306	123,475	82,279		4,838,502

WINSTON COUNTY

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

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Furniture and equipment	422,146	26,382	41,324		407,204
Leased property under capital leases	77,718	76,246			153,964
Total accumulated depreciation	32,530,292	679,224	123,603	0	33,085,913
Total depreciable capital assets, net	23,197,522	(15,252)	9,557	1,678,610	24,851,323
Governmental activities capital assets, net	\$ 25,198,443	2,281,618	9,557	9,207	27,479,711

Business-type activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 54,000				54,000
Total non-depreciable capital assets	54,000	0	0	0	54,000
<u>Depreciable capital assets:</u>					
Buildings	5,229,560				5,229,560
Mobile equipment	542,264	40,807	42,639		540,432
Furniture and equipment	289,888				289,888
Total depreciable capital assets	6,061,712	40,807	42,639	0	6,059,880
<u>Less accumulated depreciation for:</u>					
Buildings	1,443,728	104,591			1,548,319
Mobile equipment	430,303	44,196	38,376		436,123
Furniture and equipment	146,264	26,581			172,845
Total accumulated depreciation	2,020,295	175,368	38,376	0	2,157,287
Total depreciable capital assets, net	4,041,417	(134,561)	4,263	0	3,902,593
Business-type activities capital assets, net	\$ 4,095,417	(134,561)	4,263	0	3,956,593

*Adjustments represent reclassifications from construction in progress to infrastructure. An adjustment for \$9,207 was made for a prior year expenditure for construction in progress not included in the beginning balance.

WINSTON COUNTY

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

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 31,221
Public safety	53,389
Public works	572,769
Health and welfare	15,982
Culture and recreation	5,092
Conservation of natural resources	771
Total governmental activities depreciation expense	\$ 679,224
Business-type activities:	
Solid waste	\$ 17,061
Correctional facility	158,307
Total business-type activities depreciation expense	\$ 175,368

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

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
District 3 PLH 0673 Bluff Lake-Choctaw County	\$ 342,867	9/2014
District 3 BR-0678(4)B Bridge	8,910	9/2014

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

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$358,550 for the year ended September 30, 2013.

On January 1, 2012, Winston County entered into an operating lease with Teters Floral Products, Inc. for the lease of certain property located at 923 South Church Avenue, Louisville, MS. The operating lease stipulated that the lessee, Teters Floral Products, Inc. would pay \$350,000 for the first year with an annual increase of \$11,400 for each year thereafter commencing January 1, 2012 for three years with the option to renew for two additional periods of three years each.

WINSTON COUNTY

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

The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>		<u>Amount</u>
2014	\$	369,950
2015		93,200
Total Minimum Payments Required	\$	<u>463,150</u>

(10) Capital Leases.

As Lessor:

Polo Custom Products

On March 24, 2008, Winston County entered into a capital lease with Polo Custom Products and the City of Louisville to lease certain real property, building and all other improvements located at 907 West Main Street, Louisville, MS. The capital lease agreement stipulated that the lessee, Polo Custom Products would pay approximately \$7,210 per month commencing on June 15, 2008 for a period of twenty years. Half would be paid to Winston County and half to the City of Louisville. The lessee shall have the option to purchase the property at the end of the twenty years for \$100.

The County leases the following property with varying terms and options as of September 30, 2013:

<u>Classes of Property</u>		<u>Amount</u>
Buildings	\$	438,500
Other		130,000
Total	\$	<u>568,500</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2013, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 28,262	14,996
2015	29,121	14,137
2016	30,007	13,251
2017	30,920	12,339
2018	31,860	11,398
2019 – 2023	174,442	41,853
2024 – 2028	188,161	13,712
Total	\$ <u>512,773</u>	<u>121,686</u>

As Lessee:

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

<u>Class of Property</u>		<u>Governmental Activities</u>
Mobile equipment	\$	794,896
Less: Accumulated depreciation		153,964
Leased Property Under Capital Leases	\$	<u>640,932</u>

WINSTON COUNTY

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

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2014	\$ 160,190	10,295
2015	133,124	6,737
2016	109,046	4,151
2017	62,480	1,908
2018	62,651	700
Total	527,491	23,791

(11) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
Pierce Contender fire truck	\$ 21,519	3.80%	12/2013
6,000 gallon duratank	11,377	3.26%	01/2015
2013 Mack dump truck	94,457	2.11%	09/2016
2011 Volvo Ex 140CL excavator	63,949	1.74%	01/2017
2014 Mack dump truck	125,754	2.04%	07/2018
Volvo motor grader	153,941	2.01%	06/2018
(3) Sheriff vehicles	56,494	1.74%	04/2016
Total Capital Leases	\$ 527,491		
B. Other Loans:			
CAP loan for Polo Industries	\$ 512,773	3.00%	05/2028
CAP loan for fire trucks	63,347	2.00%	10/2015
Total Other Loans	\$ 576,120		
Business-type Activities:			
Limited Obligation Bonds:			
2008 correctional facility refunding bonds*	\$ 2,185,000	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 \$2,410,100. Principal and interest paid for the current year and total inmate housing net revenues were \$480,100 and \$476,680, respectively.

WINSTON COUNTY

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

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

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2014	\$ 58,341	15,989
2015	59,808	14,522
2016	32,588	13,256
2017	30,920	12,339
2018	31,860	11,398
2019 – 2023	174,442	41,852
2024 – 2028	188,161	13,712
Total	\$ 576,120	123,068

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2014	\$ 405,000	79,300
2015	420,000	62,800
2016	435,000	45,700
2017	455,000	27,900
2018	470,000	9,400
Total	\$ 2,185,000	225,100

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2013, the 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, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 30,093			7,948	38,041	
Capital leases	187,678	450,481	110,668		527,491	160,190
Other loans	630,597		54,477		576,120	58,341
Total	\$ 848,368	450,481	165,145	7,948	1,141,652	218,531

WINSTON COUNTY

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

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
Business-type Activities:						
Limited obligation bonds	\$ 2,570,000		385,000		2,185,000	405,000
Add:						
Premiums	24,352		4,868		19,484	4,870
Net limited obligation bonds	2,594,352		389,868		2,204,484	
Compensated absences	19,263			(2,447)	16,816	
Total	\$ 2,613,615	0	389,868	(2,447)	2,221,300	409,870

*Adjustments are reported to reflect changes in compensated absences liability.

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.

(12) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2013:

Fund	Deficit Amount
SAP Countywide 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 61-3-5, 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 2013. 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.

WINSTON COUNTY

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

By contractual agreement, the County's appropriation to the joint venture was \$114,875 in fiscal year 2013. 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 2013. Complete financial statements can be obtained from the library at Winston County Library, 301 Park Street, Louisville, MS 39339.

(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 \$309,219 for the maintenance and support of the college in fiscal year 2013.

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 \$20,000 for support of the district in fiscal year 2013.

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 \$19,500 for support of the agency in fiscal year 2013.

Prairie Opportunity, Inc., operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The 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. These 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.

WINSTON COUNTY

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

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$462,078, \$411,305 and \$389,700, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Winston County evaluated the activity of the County through May 4, 2015, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/17/2013	2.00%	\$ 1,610,000	Urban renewal revenue refunding bonds	Charges for services

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, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,057,423	2,542,082	2,542,082	
Licenses, commissions and other revenue	269,800	311,296	311,296	
Fines and forfeitures	179,500	232,995	232,995	
Intergovernmental revenues	679,000	635,127	635,127	
Interest income	4,000	8,929	8,929	
Miscellaneous revenues	61,000	96,925	96,925	
Total Revenues	<u>3,250,723</u>	<u>3,827,354</u>	<u>3,827,354</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,248,053	2,108,680	2,108,680	
Public safety	960,244	915,512	915,512	
Public works	7,750	7,750	7,750	
Health and welfare	100,400	109,245	109,245	
Culture and recreation	178,800	176,689	176,689	
Education	225,000	160,974	160,974	
Conservation of natural resources	113,699	110,376	110,376	
Economic development and assistance	20,000	20,000	20,000	
Total Expenditures	<u>3,853,946</u>	<u>3,609,226</u>	<u>3,609,226</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(603,223)</u>	<u>218,128</u>	<u>218,128</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		4,721	4,721	
Transfers in	29,039	84,206	84,206	
Transfers out	(200,000)	(11,500)	(11,500)	
Other financing sources		15	15	
Total Other Financing Sources and Uses	<u>(170,961)</u>	<u>77,442</u>	<u>77,442</u>	<u>0</u>
Net Change in Fund Balance	<u>(774,184)</u>	<u>295,570</u>	<u>295,570</u>	
Fund Balances - Beginning	<u>6,069,421</u>	<u>6,066,340</u>	<u>6,066,340</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,295,237</u>	<u>6,361,910</u>	<u>6,361,910</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, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$		15,831	15,831
Total Revenues	0	0	15,831	15,831
EXPENDITURES				
Current:				
Debt service:				
Principal			27,428	(27,428)
Interest			15,831	(15,831)
Total Expenditures	0	0	43,259	(43,259)
Excess of Revenues over (under) Expenditures	0	0	(27,428)	(27,428)
OTHER FINANCING SOURCES (USES)				
Lease principal payments			27,428	27,428
Total Other Financing Sources and Uses	0	0	27,428	27,428
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	0	0	0

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, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	279,604	279,604	
Total Revenues	0	279,604	279,604	0
EXPENDITURES				
Current:				
Public works		280,228	280,228	
Total Expenditures	0	280,228	280,228	0
Excess of Revenues over (under) Expenditures	0	(624)	(624)	0
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	0	0	0	0
Net Change in Fund Balance	0	(624)	(624)	0
Fund Balances - Beginning		127,457	127,457	0
Fund Balances - Ending	\$ 0	126,833	126,833	0

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

WINSTON COUNTY

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WINSTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2013 UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	CAP Repayment Polo Fund	District 3 State Aid Road Fund
Budget (Cash Basis)	\$ 295,570	0	(624)
Increase (Decrease)			
Net adjustments for revenue accruals	(128,060)	0	1,905,795
Net adjustments for expenditure accruals	117,995	0	(1,904,685)
GAAP Basis	\$ 285,505	0	486

WINSTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013
UNAUDITED

D. Unbudgeted Funds.

The following fund was not budgeted for the year ended September 30, 2013:

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

OTHER INFORMATION

WINSTON COUNTY

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WINSTON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
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/pay roll 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 District 1	Fidelity and Deposit Company of Maryland	\$100,000
Don Kemp	Receiving Clerk District 2	Fidelity and Deposit Company of Maryland	\$100,000
Chester Triplett	Receiving Clerk District 3	Fidelity and Deposit Company of Maryland	\$100,000
Amzi Triplett	Receiving Clerk District 4	Fidelity and Deposit Company of Maryland	\$100,000
Larry Boatner	Receiving Clerk District 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
Neal Higgason	Chief Deputy Sheriff	Fidelity and Deposit Company of Maryland	\$100,000
Keith Alexander	Deputy Sheriff	Fidelity and Deposit Company of Maryland	\$100,000
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
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
Melissa Mills	Booking Officer	Fidelity and Deposit Company of Maryland	\$100,000
Timothy Palmer	Warden	Fidelity and Deposit Company of Maryland	\$100,000
Phyllis Sullivan	Pay roll 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 4, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-001, 2013-002, 2013-003, 2013-007, 2013-008, and 2013-009 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-004, 2013-005, 2013-006, 2013-010 and 2013-011 to be significant deficiencies.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Winston County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 4, 2015, included within this document.

Winston County's Responses to Findings

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

Purpose of this Report

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



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

May 4, 2015



**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, 2013. 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.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Capital asset deletions should be recorded in capital asset records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of deletions. Several capital assets totaling \$58,110 were sold but not deleted from the subsidiary records. Failure to record all capital assets transactions could result in the loss of capital assets or material errors in capital asset balances.

Recommendation

The Inventory Control Clerk should record all capital asset deletions in the capital assets subsidiary records.

Inventory Control Clerk's Response

We are working on the inventory program to function better.

In our opinion except for the noncompliance referred to in the preceeding paragraph, Winston County complied in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

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

Winston County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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.



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

May 4, 2015

WINSTON COUNTY

Schedule 1

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

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, 2013

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, 2013

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 for the year ended September 30, 2013, 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 May 4, 2015, 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 and areas 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 three 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 Board of Supervisors has corrected this by preparing a budget for Polo funds.

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 three year's audit reports, claim numbers are not being written or included on the claim invoice with the purchasing documentation. The claim number on the claim sheet is actually the vendor number. 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

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

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 three 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

The Board of Supervisors will ensure that the approved claim numbers are spread on the board minutes. The claims docket will be recorded in the minutes.

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

Finding

As reported in the prior two years' audit reports, the County has interfund loans outstanding that are over a year old. These interfund advances totaled \$328,902 as of September 30, 2013. These interfund advances include \$159,725 and \$15,320 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 interfund loans will be repaid in a timely manner.

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. As reported in the prior year's audit report, the original approved budget for fiscal year 2012-2013 and the final amended budget for fiscal year 2012-2013 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

The Board of Supervisors will record the original budget adopted and the final amended budget in detail in the board minutes.

6. The Board of Supervisors should expend the proceeds of the bridge and culvert levy as authorized by law.

Finding

Section 65-15-7, Miss. Code Ann. (1972), authorizes the Board of Supervisors to levy taxes for bridge and culvert purposes. Some road maintenance expenditures were improperly paid out of the bridge and culvert levy. Failure to use tax levy proceeds for the purposes authorized by law results in a diversion of funds.

Recommendation

The Board of Supervisors should only pay bridge and culvert expenditures from the proceeds of the bridge and culvert tax levy and should transfer from the road maintenance funds the amounts improperly paid back to the bridge and culvert funds.

Board of Supervisors' Response

The Board of Supervisors will only pay bridge and culvert expenditures from the proceeds of the bridge and culvert tax levy and transfer from the road maintenance fund the amount improperly paid, back to the bridge and culvert fund.

7. Winston County should strengthen passwords.

Finding

During our review, we noted that Winston County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Winston County Information Assets.

Recommendation

We recommend that Winston County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

The Chancery Clerk has spoken with Data Systems Management regarding changing password parameters to comply with password management best practices and industry standards. Data Systems Management representatives have assured Winston County that this will be implemented soon.

8. Winston County should install network banners on its internal network.

Finding

During our review of Winston County, we noted that the system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannerings assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation

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

Board of Supervisors' Response

The Chancery Clerk has spoken with a Secure Networks representative regarding the installation of network banners on the internal network for Winston County. He is working on this.

9. Winston County should improve its server room environment management.

Finding

Winston County's computer room is located in a back office in the courthouse. The room does have air conditioning, but does not have monitoring equipment for fire, heat and other conditions that can have an adverse effect on electronic equipment. Also, the computer room does not have any camera coverage. Therefore, if unauthorized entry is made into the computer room it is not documented.

Recommendation

We recommend that Winston County consider the purchase of equipment that can monitor environmental conditions that might affect computerized equipment such as fire, smoke, heat and humidity. This equipment should have the capability of notifying the proper personnel when monitored environmental conditions vary outside of preset ranges. In addition, the County should consider the purchase of a camera system that will provide documentation of unauthorized entry into the computer room.

Board of Supervisors' Response

A Secure Networks representative is in the process of quoting a price for Winston County on equipment which would be installed in the server room to monitor environmental conditions in order to protect the server. He also will quote a price on a security camera for the server room in order for us to monitor who enters the room.

Chancery Clerk.

10. Internal controls should be strengthened to ensure that claims are approved by the board prior to payment.

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. As reported in the prior year's audit report, 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

Claims will not be processed, other than payroll, before approval of the Board of Supervisors. Checks will be dated the first board meeting of each month and will not be printed until after claims are approved by the Board.

11. 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. The 2013 Chancery Clerk fee journal was not properly maintained:

- a. The fee journal does not foot for the months of January and February.
- b. The amounts on the fee journal do not match the amounts reported on the 2013 Annual Financial Report.
- c. Payments from the County were not posted to the fee journal for the months of March, April, May, June and July.

Failure to properly maintain a fee journal could result in the loss of public funds.

Recommendation

The Chancery Clerk should properly 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

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

12. The Chancery Clerk deducted some unallowable and undocumented expenses on the annual financial report.

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 documented and must be incurred in the current calendar year. The total of the disallowed expenses is \$2,547. The Chancery Clerk claimed expenses for which supporting documents were not available and for expenses that did not occur in the 2013 calendar year. Deducting expenses against income that are not documented or did not occur in the current calendar year 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. Also, the Chancery Clerk should include only the expenses incurred in the current year.

Chancery Clerk's Response

The Chancery Clerk will provide documentation for expenses claimed as deductions against compensation received as Chancery Clerk. The Clerk will include only expenses incurred in the current 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.

13. Internal controls over Chancery Clerk reimbursing salaries should be strengthened.

Finding

An effective system of internal control over payroll should include the timely reimbursement of county funds for Chancery Clerk's employee payroll costs. The Chancery Clerk employs deputies whose payroll is processed with the county's payroll. The Chancery Clerk reimbursed the county for her deputies' salaries after the actual payroll date, instead of paying in advance. Failure to reimburse the county for Chancery Clerk's employee payroll costs could result in an unauthorized loan to the Chancery Clerk.

Recommendation

The Chancery Clerk should remit deputies' payroll, including benefits, to the county in advance of the payroll period. If payment is not paid in advance, then the county should not issue a payroll check for the deputy clerk.

Chancery Clerk's Response

The Chancery Clerk will pay deputies' payroll, including benefits, to the County in advance of the payroll period.

14. Internal controls over land redemption collections and settlements should be strengthened.

Finding

An effective system of internal controls for accounting for land redemption should include adequate controls to account for all funds collected and disbursed. We noted an overage of \$2,438 when performing a cash count for the land redemption account on April 14, 2014. Failure to implement adequate controls over the land redemption account could result in the loss of public funds.

Recommendation

The Chancery Clerk should review the land redemption records to identify the overage.

Chancery Clerk's Response

The Chancery Clerk has identified the cause of a portion of the overage as due to checks that have not cleared the bank. The Clerk will continue to reconcile collections and disbursements monthly.

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

May 4, 2015

WINSTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WINSTON COUNTY

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WINSTON COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 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 |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. 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 six 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 reviews the payroll checks bi-weekly and she also checks timesheets for apparent mistakes. After the payroll checks are reviewed the clerk signs off that she has reviewed the payroll.

WINSTON COUNTY

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

Material Weakness

2013-002. 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 three year's 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 the accounts payable clerk and the comptroller can print checks. 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.

Board of Supervisors' Response

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

Material Weakness

2013-003. Internal controls should be strengthened over financial statement preparation and reporting.

Finding

An effective system of internal control over financial statements preparation and reporting should include a review of the financial statements and underlying work papers by management to ensure that they are complete, appropriately documented and supported by the County's underlying accounting records. The financial statements were incomplete and contained numerous inconsistencies with the prior year audit balances. We noted the following:

- a. The beginning fund balances reported on the prepared financial statements for the Governmental Activities, Business-type Activities, General Fund, Other Governmental Funds and the Solid Waste Fund did not agree with the ending balances in the prior year audit report.
- b. The operating lease note disclosure in the prepared financial statements for the County as lessor did not agree with the support provided by the County's management. The note disclosure was amended to agree with the new lease agreement entered into on January 1, 2012.
- c. The financial statements did not include a note to the financial statements for the capital lease where the County is the lessor. The note disclosures were amended to report the capital lease with the County as lessor.
- d. Support for the amounts recorded in the required supplementary information for the General Fund budget comparison could not be found in the work papers provided. The information reported was amended to agree with the support that was provided by the County's management.
- e. Support for the amounts reported on a Schedule of Expenditures for Federal Awards in the supplemental information was incomplete and inaccurate. The schedule was amended and subsequently deleted based on supporting information provided by the County's management.
- f. The interfund transfer documentation did not support amounts reported in the financial statements. New schedules had to be prepared to document interfund transfers reported in the financial statements.

WINSTON COUNTY

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

- g. Some capital asset beginning balances reported in the notes to the financial statements did not agree to ending balances in the prior year audit report. The note information was amended to agree with the prior year audit report.
- h. The interfund loan documentation did not support amounts reported in the financial statements. New schedules had to be prepared to document interfund loan activity and interfund loan balances reported in the financial statements.
- i. The amounts on the major fund determination documentation did not agree with the amounts in the financial statements. A corrected worksheet had to be prepared to determine major funds.

Audit adjustments were proposed to correct these errors and were recorded with management's approval.

Failure to review the financial statements and underlying documentation prior to submission for audit resulted in numerous misstatements in the financial statements and notes.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting that includes a review of the financial statements and underlying documentation by management to ensure they are complete, appropriately documented and supported by the County's underlying accounting records.

Board of Supervisors' Response

The Board of Supervisors will implement a system of internal control over financial statement preparation and reporting to ensure that they are complete, appropriately documented, and supported by the County's underlying accounting records

Significant Deficiency

2013-004. Winston County should establish and test a disaster recovery process.

Finding

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

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

Winston County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

WINSTON COUNTY

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

Recommendation

We recommend that Winston County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Winston County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

Winston County will work with Data Systems Management and Secure Networks to develop and implement a disaster recovery plan for our County.

Significant Deficiency

2013-005. Winston County should implement a formal information security policy.

Finding

Winston County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for Winston County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Winston County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by county supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

Winston County has adopted a new employee handbook which has not been printed as of the date of this letter. The new handbook contains an acceptable use policy for County owned computers and equipment. Each employee of Winston County will be required to sign the acceptable use policy. The Chancery Clerk has sent a list of State Auditor recommendations to Secure Networks representatives for assistance in meeting the requirements.

WINSTON COUNTY

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

Significant Deficiency

2013-006. Winston County needs to replace obsolete computer hardware and software.

Finding

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

Recommendation

We recommend that Winston County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally came loaded with operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the possible large number of PCs that need replacing this could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should be begun as soon as possible.

Board of Supervisors' Response

Winston County will replace obsolete computer hardware and software as funds become available.

Tax Assessor-Collector.

Material Weakness

2013-007. Internal controls over cash collections and settlements in the Tax Assessor-Collector's office should be strengthened.

Finding

An effective system of internal control over tax collections should include an adequate separation of duties, the maintenance of and reconciliation of records documenting daily collections and settlements and adequate physical safeguards over cash collections. We noted a shortage of \$2,623 when performing a cash count on November 21, 2013. Failure to implement adequate controls over the collection, recording and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that records documenting daily collections are properly maintained and reconciled to the daily deposits and that controls are in place to properly safeguard cash collections and settlements.

Tax Assessor-Collector's Response

Several accounting software program issues arose when the Department of Revenue went to electronic payment of sales tax in October, 2013. These issues have since been corrected. I will investigate the cash discrepancy for the month of November, 2013 and continue to monitor the daily collections, deposits and settlements.

WINSTON COUNTY

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

Material Weakness

2013-008. The Tax Assessor-Collector should not allow employees to cash personal checks out of petty cash.

Finding

An effective system of internal control over tax collections should include an adequate separation of duties, the maintenance of and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. On the morning of November 22, 2013, the auditors conducted a cash count before any business transactions were handled for the day. During this cash count, the auditors noted that two of the cash drawers included personal checks that were being used to account for part of the petty cash balances. These checks were both dated more than a month prior to the cash count date. Failure to establish and enforce adequate controls over cash collections and petty cash could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should stop allowing employees to cash personal checks out of petty cash.

Tax Assessor-Collector's Response

The petty cash fund was not advances by the County but was established by the Tax Collector from personal funds upon taking office. However, I will no longer allow employees to cash personal checks.

Justice Court Clerk.

Material Weakness

2013-009. 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 four 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. 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 collection and accounting duties within the office.

Justice Court Clerk's Response

An adequate separation of duties is near impossible in the Justice Court Office, due to the fact we only have two employees, without bringing in someone from another office to audit our work and our deposits. Justice Court will work with the Winston County Board of Supervisors and the Chancery Clerk's office to find a solution to this weakness.

WINSTON COUNTY

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

Sheriff

Significant Deficiency

2013-010. 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. As reported in the prior year's audit report, 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.

Significant Deficiency

2013-011. Effective internal controls should be implemented over deposits in the Sheriff's office.

Finding

An effective system of internal controls over the collection of cash should include making deposits on a timely basis. As reported in the prior four years' audit reports, the Sheriff's office was not making timely deposits on a timely basis. The Sheriff's office did not have policies and procedures in place to ensure that deposits were made in a timely manner. 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 will begin to make weekly deposits.

