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**CHICKASAW COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

CHICKASAW COUNTY, MISSISSIPPI

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CHICKASAW COUNTY

FINANCIAL SECTION



WATKINS, WARD and STAFFORD
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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Chickasaw County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Chickasaw County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Supplemental and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, on our consideration of Chickasaw County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chickasaw County, Mississippi's internal control over financial reporting and compliance.

Okolona, Mississippi
October 11, 2016

Watkins Ward and Stafford, PLLC

CHICKASAW COUNTY

FINANCIAL STATEMENTS

CHICKASAW COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Totals
ASSETS			
Cash	\$ 2,079,648	618,545	2,698,193
Property tax receivable	3,393,711		3,393,711
Fines receivable, net	384,294		384,294
Intergovernmental receivables	151,761	301,527	453,288
Other receivables, net	92,715	16,621	109,336
Prepaid insurance	32,923		32,923
Restricted assets - cash		1,026,413	1,026,413
Capital assets, net	10,161,642	8,914,905	19,076,547
Total assets	<u>\$ 16,296,694</u>	<u>10,878,011</u>	<u>27,174,705</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	801,778	342,616	1,144,394
Total Deferred Outflows of Resources	<u>801,778</u>	<u>342,616</u>	<u>1,144,394</u>
LIABILITIES			
Claims payable	\$ 533,483	229,924	763,407
Intergovernmental payables	133,960		133,960
Accrued interest payable	17,276	3,569	20,845
Other payables	300,630		300,630
Long-term liabilities			
Due within one year:			
Capital related debt	596,598	667,615	1,264,213
Due in more than one year:			
Capital related debt	2,825,624	10,285,000	13,110,624
Capital related bond premium	11,823	25,264	37,087
Non-capital related debt	182,149		182,149
Net pension liability	6,881,915	2,949,391	9,831,306
Total liabilities	<u>11,483,458</u>	<u>14,160,763</u>	<u>25,644,221</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	147,869	63,373	211,242
Property tax for future reporting period	3,393,711		3,393,711
Total Deferred Inflows of Resources	<u>3,541,580</u>	<u>63,373</u>	<u>3,604,953</u>
NET POSITION			
Net investment in capital assets	6,727,597	(2,062,974)	4,664,623
Restricted for:			
Expendable:			
General government	204,276		204,276
Public safety	787,027		787,027
Public works	161,631		161,631
Culture and recreation	30,241		30,241
Conservation of natural resources	28,687		28,687
Unrestricted	(5,866,025)	(940,535)	(6,806,560)
Total Net Position	<u>\$ 2,073,434</u>	<u>(3,003,509)</u>	<u>(930,075)</u>

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

Exhibit 2

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

CHICKASAW COUNTY
Balance Sheet – Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds		Other	Total
	General	County Wide	Governmental	Governmental
	Fund	Road Maint.	Funds	Funds
	Fund	Fund		
ASSETS				
Cash and cash equivalents	\$ 773,663	9,438	1,296,547	2,079,648
Property tax receivable	2,632,616	95,768	665,327	3,393,711
Fines receivable (net of allowance for uncollectibles of \$2,017,740)	384,294	-	-	384,294
Intergovernmental receivables	67,976	47,485	36,300	151,761
Other receivables, net	59,319	-	33,396	92,715
Due from other funds	-	-	15,693	15,693
Total Assets	<u>3,917,868</u>	<u>152,691</u>	<u>2,047,263</u>	<u>6,117,822</u>
LIABILITIES				
Claims payable	326,404	72,185	134,894	533,483
Intergovernmental payables	133,960	-	-	133,960
Due to other funds	15,693	-	-	15,693
Other payables	300,630	-	-	300,630
Total Liabilities	<u>776,687</u>	<u>72,185</u>	<u>134,894</u>	<u>983,766</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property tax	2,632,616	95,768	665,327	3,393,711
Unavailable revenue - fines	384,294	-	-	384,294
Total Deferred Inflows of Resources	<u>3,016,910</u>	<u>95,768</u>	<u>665,327</u>	<u>3,778,005</u>
FUND BALANCES				
Restricted:				
General government			204,276	204,276
Public safety			787,027	787,027
Public works			161,631	161,631
Culture and recreation			30,241	30,241
Conservation of natural resources			28,687	28,687
Debt service			11,225	11,225
Unassigned	124,271	(15,262)	23,955	132,964
Total Fund Balances	<u>124,271</u>	<u>(15,262)</u>	<u>1,247,042</u>	<u>1,356,051</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,917,868</u>	<u>152,691</u>	<u>2,047,263</u>	<u>6,117,822</u>

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

CHICKASAW COUNTYExhibit 3-1**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015**

	<u>Amount</u>
Total Fund Balance – Governmental Funds	\$ 1,356,051
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 \$9,818,333	10,161,642
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	384,294
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	32,923
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(3,616,194)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds	(17,276)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(6,881,915)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	801,778
Deferred inflows of resources related to pensions	(147,869)
Total Net Position – Governmental Activities	\$ <u>2,073,434</u>

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

CHICKASAW COUNTYExhibit 4**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2015**

	Major Funds		Other	Total
	General	County Wide	Governmental	Governmental
	Fund	Road Maint.	Funds	Funds
	Fund	Fund		
REVENUES				
Property taxes	\$ 3,482,935	130,562	1,012,129	4,625,626
Road and bridge priviledge taxes	-	198,592	-	198,592
Licenses, commissions, and other revenue	352,097	-	132,204	484,301
Fines and forfeitures	246,212	-	63,191	309,403
Intergovernmental revenues	439,785	682,640	329,104	1,451,529
Charges for services	-	-	166,667	166,667
Interest income	272	-	11	283
Miscellaneous revenues	322,415	3,407	2,000	327,822
Total Revenues	<u>4,843,716</u>	<u>1,015,201</u>	<u>1,705,306</u>	<u>7,564,223</u>
EXPENDITURES				
Current:				
General government	2,765,892	-	257,929	3,023,821
Public safety	1,319,563	-	538,647	1,858,210
Public works	-	1,014,995	605,138	1,620,133
Health and welfare	174,788	-	-	174,788
Culture and recreation	-	-	348,592	348,592
Conservation of natural resources	100,371	-	-	100,371
Economic development and assistance	60,912	-	-	60,912
Debt service:				
Principal	56,381	111,771	416,036	584,188
Interest	9,125	14,756	100,935	124,816
Other	-	-	2,790	2,790
Total Expenditures	<u>4,487,032</u>	<u>1,141,522</u>	<u>2,270,067</u>	<u>7,898,621</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>356,684</u>	<u>(126,321)</u>	<u>(564,761)</u>	<u>(334,398)</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets	3,257	-	10,712	13,969
Transfers in	-	160,000	534,274	694,274
Transfers out	(391,000)	-	(65,000)	(456,000)
Total Other Financing Sources (Uses)	<u>(387,743)</u>	<u>160,000</u>	<u>479,986</u>	<u>252,243</u>
Net Change in Fund Balances	<u>(31,059)</u>	<u>33,679</u>	<u>(84,775)</u>	<u>(82,155)</u>
Fund Balances - Beginning	<u>155,330</u>	<u>(48,941)</u>	<u>1,331,817</u>	<u>1,438,206</u>
Fund Balances - Ending	<u>\$ 124,271</u>	<u>(15,262)</u>	<u>1,247,042</u>	<u>1,356,051</u>

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

CHICKASAW COUNTYExhibit 4-1**Governmental Funds****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, 2015**

Net Changes in Fund Balances - Governmental Funds	\$ (82,155)
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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 \$241,245 was exceeded by current depreciation of \$660,735 in the current period.	(419,490)
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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 repayments of \$584,188 exceeded debt proceeds of \$0.	584,188
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In the Statement of Activities, only gains and losses from the sale or disposal of capital assets are reported, whereas in the Governmental Funds, losses from the sale or disposal of capital assets decrease financial resources. Thus, the change in net position differs from the change in fund balance by the amount of the gain on the disposal of capital assets \$13,069 less the proceeds received \$13,969.	(900)
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Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(54,354)
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences liability	(34,539)
The amortization of bond premium.	2,955
The amount of decrease in accrued interest payable.	2,699
	(28,885)

Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(872,468)	
Recording of contributions made subsequent to the measurement date	108,882	(763,586)

Change in Net Position of Governmental Activities	\$ <u>(765,182)</u>
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The accompanying notes to financial statements are an integral part of these statements.

CHICKASAW COUNTY
Statement of Net Position – Proprietary Fund
September 30, 2015

Exhibit 5

	Chickasaw County Regional Correctional Facility
ASSETS	
Current assets:	
Cash	\$ 618,545
Intergovernmental receivables	301,527
Other receivables, net	16,621
Total current assets	<u>936,693</u>
Non-current assets:	
Restricted assets - cash	1,026,413
Capital assets, net	8,914,905
Total non-current assets	<u>9,941,318</u>
Total Assets	<u>10,878,011</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	342,616
Total Deferred Outflows of Resources	<u>342,616</u>
 LIABILITIES	
Current liabilities:	
Claims payable	\$ 229,924
Accrued interest payable	3,569
Capital debt	
Other long-term liabilities	667,615
Total current liabilities	<u>901,108</u>
Non-current liabilities:	
Capital debt	
Other long-term liabilities	10,285,000
Bond premium	25,264
Net pension liability	2,949,391
Total non-current liabilities	<u>13,259,655</u>
Total Liabilities	<u>14,160,763</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	63,373
Total Deferred Inflows of Resources	<u>63,373</u>
 NET POSITION	
Net investment in capital assets	(2,062,974)
Unrestricted	(940,535)
Total Net Position	<u>\$ (3,003,509)</u>

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

CHICKASAW COUNTYExhibit 6**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Year Ended September 30, 2015**

	Chickasaw County Regional Correctional Facility
OPERATING REVENUES	
Charges for services	\$ 3,891,550
Miscellaneous	73,604
Total operating revenues	<u>3,965,154</u>
OPERATING EXPENSES	
Personal services	1,570,017
Contractual services	555,412
Utilities	306,863
Repairs and maintenance	128,764
Other supplies and expense	45,081
Depreciation	212,112
Insurance	336,040
Miscellaneous	15,459
Total operating expenses	<u>3,169,748</u>
Operating income (loss)	795,406
NON-OPERATING REVENUES (EXPENSES)	
Interest income	1,539
Insurance proceeds	4,843
Interest expense	(1,614,715)
Pension expense	(373,915)
Transfer to governmental funds	(238,274)
Fiscal agent fees and bond issue costs	(252,590)
Amortization of expenses related to bond issuance	(641,541)
Total non-operating revenues (expenses)	<u>(3,114,653)</u>
Change in net position	(2,319,247)
Net Position, beginning - as originally reported	1,657,632
Prior Period Adjustment	(2,341,894)
Net Position, beginning - as restated	<u>(684,262)</u>
Net Position, ending	<u><u>\$ (3,003,509)</u></u>

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

CHICKASAW COUNTY
Statement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

	Chickasaw County Regional Correctional Facility
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 4,114,400
Payments to suppliers	(1,445,199)
Payments to employees	(1,196,102)
Net Cash Flows from Operating Activities	<u>1,473,099</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer to other funds	(238,274)
Net Cash Flows from Noncapital Financing Activities	<u>(238,274)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from issuance of debt	9,166,843
Principal payment on capital debt	(8,095,925)
Interest payment on capital debt	(2,285,478)
Net Cash Flows from Capital and Related Financing Activities	<u>(1,214,560)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on deposits	1,539
Net Cash Flows from Investing Activities	<u>1,539</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,804
Cash and Cash Equivalents at Beginning of Year	<u>1,623,154</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,644,958</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 795,406
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	212,112
GASB pension expense	373,915
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	158,314
(Increase) decrease in other receivables	(9,068)
Increase (decrease) in claims payable	(57,580)
Total Adjustments	<u>677,693</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,473,099</u></u>

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

CHICKASAW COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 54,104
Total Assets	\$ <u>54,104</u>
LIABILITIES	
Intergovernmental Payables	\$ 54,104
Total Liabilities	\$ <u>54,104</u>

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

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

a. Financial Reporting Entity.

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

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

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

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

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

b. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between 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

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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, deferred inflows of resources, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

c. Measurement Focus and Basis of Accounting.

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

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

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

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.

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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

The county reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

d. Account Classifications.

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

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.

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

f. Receivables.

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

g. Interfund Transactions and Balances.

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

h. Prepaid Items.

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

i. Restricted Assets

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

j. Capital Assets.

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

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Chickasaw County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Building improvements	25,000	20 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.

k. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 14 for additional details.

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 14 for additional details.

Property tax for future reporting period – Deferred inflows of resources should be reported as resources associated with imposed nonexchange transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

l. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

m. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

n. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

Government fund balance is classified as restricted and unassigned. The following are descriptions of fund classifications used by the county.

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

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

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

o. 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

CHICKASAW COUNTY
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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.

p. 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.

q. 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.

r. Change in Accounting Standards.

The county implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69 *Government Combinations and Disposal of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

CHICKASAW COUNTY
Notes to Financial Statements

(2) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2015, was \$3,778,710, and the bank balance was \$3,729,910. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 15,693
Total		<u>\$ 15,693</u>

The receivables represent the tax revenue collected but not settled until October 2015. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Countywide Road Maintenance Fund	General Fund	\$ 160,000
Other Governmental Funds	General Fund	231,000
Other Governmental Funds	Other Governmental Funds	65,000
Other Governmental Funds	Proprietary Fund	238,274
Total		<u>\$ 694,274</u>

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

CHICKASAW COUNTY
Notes to Financial Statements

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 63,474
Other state receivables	51,987
U.S. Dept. of Housing and Urban Development	36,300
Total Governmental Activities	<u>\$ 151,761</u>
Business-type Activities:	
State reimbursement for housing inmates	\$ 268,857
Local government reimbursement for housing inmates	32,670
Total Business-type Activities	<u>\$ 301,527</u>

(5) Restricted Assets.

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

<u>Description</u>	<u>Amount</u>
Debt service reserve	\$ 1,026,413
Total restricted assets	<u>\$ 1,026,413</u>

CHICKASAW COUNTY
Notes to Financial Statements

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015.

Governmental Activities:	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
<u>Non-depreciable capital assets:</u>				
Land	\$ 395,098			395,098
Constuction in progress	-	83,048	83,048	-
Total non-depreciable capital assets	395,098	83,048	83,048	395,098
<u>Depreciable capital assets:</u>				
Infrastructure	6,820,247	90,143		6,910,390
Buildings	5,440,435			5,440,435
Building improvements	-	83,048		83,048
Mobile equipment	5,408,044	39,644	9,000	5,438,688
Furniture and equipment	607,038	28,410		635,448
Leased property under capital lease	1,076,868			1,076,868
Total depreciable capital assets	19,352,632	241,245	9,000	19,584,877
<u>Less accumulated depreciation for:</u>				
Infrastructure	1,672,879	193,610		1,866,489
Buildings	2,365,257	66,421		2,431,678
Building improvements	-	3,322		3,322
Mobile equipment	4,297,558	250,797	8,100	4,540,255
Furniture and equipment	535,613	27,166		562,779
Leased property under capital leases	294,391	119,419		413,810
Total accumulated depreciation	9,165,698	660,735	8,100	9,818,333
Total depreciable capital assets, net	10,186,934	(419,490)	(900)	9,766,544
Governmental activities capital assets, net	\$ 10,582,032	(336,442)	82,148	10,161,642
 Business-type Activities:	 Balance Oct. 1, 2014	 Additions	 Deletions	 Balance Sept. 30, 2015
<u>Depreciable capital assets:</u>				
Infrastructure	788,680			788,680
Buildings	9,035,171			9,035,171
Mobile Equipment	88,514			88,514
Total depreciable capital assets	9,912,365	-	-	9,912,365
<u>Less accumulated depreciation for:</u>				
Infrastructure	31,548	15,774		47,322
Buildings	722,218	180,406		902,624
Mobile equipment	31,582	15,932		47,514
Total accumulated depreciation	785,348	212,112	-	997,460
Total depreciable capital assets, net	9,127,017	(212,112)	-	8,914,905
Business-type activities capital assets, net	\$ 9,127,017	(212,112)	-	8,914,905

CHICKASAW COUNTY
Notes to Financial Statements

(6) Capital Assets (continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 81,514
Public safety	180,688
Public works	395,211
Culture and recreation	<u>3,322</u>
Total governmental activities depreciation expense	<u>\$ 660,735</u>
Business-type activities:	
Correctional facility	<u>\$ 212,112</u>
Total business-type activities depreciation expense	<u>\$ 212,112</u>

(7) Claims and Judgments

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of property</u>	<u>Amount</u>
Mobile Equipment	\$ 1,076,868
Less: Accumulated Depreciation	<u>(413,810)</u>
Leased property under capital lease	<u>\$ 663,058</u>

CHICKASAW COUNTY
Notes to Financial Statements

(8) Capital Leases (continued)

The following is a schedule by years of the total payments due as of September 30, 2015:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2016	\$ 171,451	22,638
2017	161,506	17,830
2018	457,981	10,418
Total	\$ 790,938	50,886

(9) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

Description	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road Improvement Refunding Bonds, Series 2012	\$ 690,000	0.75/2.00%	6/01/19
General Obligation Refunding Bonds, Series 2008	1,598,000	3.99%	8/01/23
Total General Obligation Bonds	\$ 2,288,000		
B. Capital Leases:			
AS400 upgrade	\$ 27,479	2.20%	12/01/17
John Deere motor grader	150,197	3.95%	5/30/18
(2) John Deere motor graders	285,432	3.95%	5/31/18
(2) Mack dump trucks	223,076	2.12%	5/19/18
Kubota tractor	24,377	2.06%	6/09/17
Refinance of (2) Mack tractors	80,377	2.11%	6/30/17
Total Capital Leases	\$ 790,938		
C. Other Loans:			
Fire Truck - CAP Loan	\$ 76,912	2.00%	12/01/20
Negotiable Note - Series 2012	17,144	2.33%	4/20/17
Negotiable Note - Series 2012	5,609	2.33%	7/20/17
Three Rivers Lawsuit Note Payable	243,619	3.00%	7/01/14
Total Other Loans	\$ 343,284		

CHICKASAW COUNTY
Notes to Financial Statements

(9) Long-term Debt (continued)

Description	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Revenue Bonds, Series 2009	\$ 1,705,000	2.50-5.50%	4/01/09
Revenue Refunding Bonds, Series 2015	9,140,000	2.50-3.12%	4/23/31
Total Limited Obligation Bonds	<u>\$ 10,845,000</u>		
B. Other Loans:			
Negotiable Note - Series 2010	\$ 107,615	3.81%	11/23/15
Total Other Loans	<u>\$ 107,615</u>		

Pledge of Future Revenues – The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$9,660,000 in limited obligation urban renewal bonds issued in April 2009 (\$1,705,000 outstanding at September 30, 2015 due to refunding) and \$9,140,000 in limited obligation refunding bonds issued in April 2015. Proceeds from the Series 2009 bonds provided financing for the construction of the Chickasaw County Regional Correctional Facility. The Series 2009 bonds are not a general obligation of the county, and, therefore, are not secured by the full faith and credit of the county. The Series 2009 bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income derived from any other government for housing and holding prisoners and are payable through April 1, 2019. Annual principal and interest payments on the Series 2009 bonds are expected to require less than 24 percent of net revenues.

The total principal and interest remaining to be paid on the Series 2009 bonds is \$3,481,295 and on the Series 2015 refunding bonds is \$11,756,276. Principal and interest paid for the current year and total inmate housing net revenues were \$9,569,715 (due to refunding of \$7,955,000 of Series 2009 bonds) and \$3,891,550, respectively.

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 339,000	77,560	86,147	9,221
2017	350,000	67,318	83,376	6,841
2018	363,000	56,736	76,538	4,648
2019	375,000	46,814	79,147	2,471
2020	203,000	34,354	15,459	220
2021-2025	658,000	53,186	2,617	7
Total Governmental Activities	<u>\$ 2,288,000</u>	<u>335,968</u>	<u>343,284</u>	<u>23,408</u>

CHICKASAW COUNTY
Notes to Financial Statements

(9) Long-term Debt (continued)

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 560,000	703,746	107,615	4,100
2017	565,000	698,208		
2018	585,000	677,443		
2019	610,000	654,938		
2020	635,000	233,564		
2021-2025	3,305,000	927,437		
2026-2030	3,765,000	471,613		
2031-2035	820,000	25,625		
Total Business-type Activities	\$ 10,845,000	4,392,574	107,615	4,100

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 bond to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was equal to 4% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

Governmental Activities:	Balance	Additions	Reductions	Balance	Amount due
	Oct. 1, 2014			Sept. 30, 2015	Within one Year
Compensated absences	\$ 147,610	34,539		182,149	N/A
General obligation bonds	2,620,000		332,000	2,288,000	339,000
Add: Bond premium	14,778		2,955	11,823	N/A
Capital leases	959,275		168,337	790,938	171,451
Other loans	427,135		83,851	343,284	86,147
Total	\$ 4,168,798	34,539	587,143	3,616,194	596,598

Business-type Activities:

Limited obligation bonds	\$ 9,660,000	9,140,000	7,955,000	10,845,000	560,000
Add: Bond premium	-	26,843	1,579	25,264	N/A
Less: Bond discounts	(236,056)	236,056		-	N/A
Other Loans	248,540		140,925	107,615	107,615
Total	\$ 9,672,484	9,402,899	8,097,504	10,977,879	667,615

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

CHICKASAW COUNTY
Notes to Financial Statements

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balance at September 30, 2015:

<u>Fund</u>	<u>Deficit Amount</u>
County Wide Road Maintenance Fund	\$ 15,262
Solid Waste Fund	8,083
Home Investment CDBG Fund	36,300

(11) Contingencies.

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

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

(12) Joint Venture.

The county participates in the following joint venture:

Chickasaw County is a participant with Pontotoc and Calhoun Counties in the Dixie Regional Library System, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate libraries. The joint venture is governed by a board that is composed of five members appointed by the three Boards of Supervisors as follows: two of the counties at any time have two board appointed members, while the third county has one of the board members. The county with one member gets to fill the next vacant seat. No single county ever has a majority of the board members. By contractual agreement, the three counties contribute approximately 53% of the library's operating budget. Chickasaw County appropriated \$75,000 for fiscal year 2015. Complete financial statements for the Dixie Regional Library System can be obtained from Dixie Regional Library System, 111 North Main Street, Pontotoc, MS 38863-2103.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District provides services for the following counties: Calhoun, Chickasaw, Lafayette, Lee, Monroe, Pontotoc, and Union. The Chickasaw County Board of Supervisors appoints five of the forty members to the board. The county appropriated \$23,837 for fiscal year 2015.

CHICKASAW COUNTY
Notes to Financial Statements

(13) Jointly Governed Organizations (continued)

Northeast Mental Health-Mental Retardation Commission is a separate legal entity. The following counties are participants: Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc, and Union. Each county Board of Supervisors appoints one member. The county appropriated \$29,997 for fiscal year 2015.

Itawamba Community College operates in a district composed of the following counties: Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Chickasaw County Board of Supervisors appoints six of the thirty members of the college board of trustees. The county appropriated \$453,922 for maintenance and support of the college for fiscal year 2015.

(14) Defined Benefit Pension Plan.

Plan Description. The county 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The county's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$632,883, \$646,345, and \$590,584, respectively, which equaled the required contributions for each year.

CHICKASAW COUNTY
Notes to Financial Statements

(14) Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the county reported a liability of \$9,831,306 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on a projection of the county's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the county's proportion was 0.0636 percent, which was a decrease of 0.0020 percent from its proportion as of June 30, 2014.

For the year ended September 30, 2015, the county recognized pension expense of \$1,246,383. At September 30, 2015, the county reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,007	\$
Net difference between projected and actual earnings on pension plan investments		211,242
Changes of assumptions	619,263	
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	203,581	
Entity's contributions subsequent to the measurement date	154,543	
Total	<u>\$ 1,144,394</u>	<u>\$ 211,242</u>

\$154,543 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Deferred Outflows	Deferred Inflows
2016	\$ 363,916	\$ 52,811
2017	363,916	52,811
2018	262,019	52,811
2019	-	52,809
Total	<u>\$ 989,851</u>	<u>\$ 211,242</u>

CHICKASAW COUNTY
Notes to Financial Statements

(14) Defined Benefit Pension Plan (continued)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHICKASAW COUNTY
Notes to Financial Statements

(14) Defined Benefit Pension Plan (continued)

Sensitivity of the county's proportionate share of the net pension liability to changes in the discount rate. The following presents the county's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the county's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 12,958,562	\$ 9,831,306	\$ 7,236,268

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(15) Prior Period Adjustments

A summary of the significant fund equity adjustments is as follows:

Implementation of GASB 68:	
Unfunded pension liability	\$ (7,962,639)
Deferred outflows of resources	<u>156,325</u>
Total prior period adjustment related to GASB 68	<u>\$ (7,806,314)</u>

(16) Use of Estimates

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

(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 Chickasaw County evaluated the activity of the County through October 11, 2016, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

CHICKASAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CHICKASAW COUNTY**Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)****General Fund****For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,433,459	3,480,368	3,480,368	
Licenses, commissions and other revenue	384,434	351,191	351,191	
Fines and forfeitures	320,328	246,436	246,136	
Intergovernmental revenues	487,300	448,932	447,932	
Miscellaneous revenues	361,366	329,529	330,829	
Total Revenues	<u>4,986,887</u>	<u>4,856,456</u>	<u>4,856,456</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	3,092,701	2,753,967	2,753,967	
Public safety	1,464,206	1,332,124	1,332,124	
Health and welfare	198,085	181,863	181,863	
Conservation of natural resources	117,552	99,857	99,857	
Economic development and assistance	58,337	54,926	54,926	
Debt service:				
Principal	65,506	56,381	56,381	
Interest	-	9,125	9,125	
Total Expenditures	<u>4,996,387</u>	<u>4,488,243</u>	<u>4,488,243</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(9,500)</u>	<u>368,213</u>	<u>368,213</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets	9,500	-	-	
Transfers out		(391,000)	(391,000)	
Total Other Financing Sources and Uses	<u>9,500</u>	<u>(391,000)</u>	<u>(391,000)</u>	<u>-</u>
Net Change in Fund Balance	-	(22,787)	(22,787)	
Fund Balances - Beginning	337,488	337,488	337,488	
Fund Balances - Ending	<u>\$ 337,488</u>	<u>314,701</u>	<u>314,701</u>	<u>-</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CHICKASAW COUNTY**Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)****County Wide Road Maintenance Fund****For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 125,765	130,562	130,562	
Road and bridge privilege taxes	202,000	198,592	198,592	
Intergovernmental revenues	549,650	656,551	656,551	
Miscellaneous revenues	4,500	3,407	3,407	
Total Revenues	<u>881,915</u>	<u>989,112</u>	<u>989,112</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	879,516	1,038,239	1,038,239	
Debt service:				
Principal	150,625	111,771	111,771	
Interest		14,756	14,756	
Total Expenditures	<u>1,030,141</u>	<u>1,164,766</u>	<u>1,164,766</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(148,226)</u>	<u>(175,654)</u>	<u>(175,654)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	148,226	160,000	160,000	
Total Other Financing Sources and Uses	<u>148,226</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net Change in Fund Balance	-	(15,654)	(15,654)	
Fund Balances - Beginning	624,800	624,800	624,800	
Fund Balances - Ending	<u>\$ 624,800</u>	<u>609,146</u>	<u>609,146</u>	<u>-</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CHICKASAW COUNTY**Schedule of the County's Proportionate Share of the Net Pension Liability****Last 10 Fiscal Years ***

	<u>2015</u>
County's proportion of the net pension liability	0.0636%
County's proportionate share of the net pension liability	\$ 9,831,306
County's covered-employee payroll	\$ 4,103,778
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.57%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

The notes to required supplementary information are an integral part of this schedule.

CHICKASAW COUNTY
Schedule of County Contributions
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 632,883
Contribution in relation to the contractually required contribution	632,883
Contribution deficiency (excess)	<u><u>\$ 0</u></u>
County's covered-employee payroll	4,018,305
Contributions as a percentage of its covered-employee payroll	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

The notes to required supplementary information are an integral part of this schedule.

CHICKASAW COUNTY
Notes to Required Supplementary Information
For the Year Ended September 30, 2015

Budgetary Comparison Schedules

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).

CHICKASAW COUNTY
Notes to Required Supplementary Information
For the Year Ended September 30, 2015

C. Budget/GAAP Reconciliation (continued)

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Budget (Cash Basis)	\$ (22,787)	(15,654)
Increase (Decrease)		
Net adjustments for revenue accruals	(51,883)	26,089
Net adjustments for expenditure accruals	<u>43,611</u>	<u>23,244</u>
GAAP Basis	<u>\$ (31,059)</u>	<u>33,679</u>

Pension Schedules

A. Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

CHICKASAW COUNTY

SUPPLEMENTAL INFORMATION

CHICKASAW COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2015

Operating Expenditures, Cash Basis:

Salaries	\$	150,887
Expendable Commodities:		
Gasoline and petroleum		33,424
Repair parts		18,507
Clothing		145
Maintenance		<u>17,432</u>
Solid Waste Cash Basis Operating Expenditures		<u><u>220,395</u></u>

Full Cost Expenses:

Indirect administrative costs		4,990
Depreciation on equipment		975
Net effect of other accrued expenses		<u>1,548</u>
Total Full Cost Expenses		<u>7,513</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>227,908</u></u>

CHICKASAW COUNTY

OTHER INFORMATION

CHICKASAW COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

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

CHICKASAW COUNTY

SPECIAL REPORTS



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

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Staggers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

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

Members of the Board of Supervisors
Chickasaw County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 11, 2016.

Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2015-01, 2015-02, 2015-03, 2015-04, and 2015-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chickasaw County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Chickasaw County's Responses to Findings

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

Purpose of the Report

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

Okolona, Mississippi
October 11, 2016

Watkins Ward and Stafford, PLLC



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

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Staggers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

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

Members of the Board of Supervisors
Chickasaw County, Mississippi

We have examined Chickasaw County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Chickasaw County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Chickasaw County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Chickasaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

Okolona, Mississippi
October 11, 2016

Watkins Ward and Stafford, PLLC

CHICKASAW COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than The Lowest Bid</u>
6/1/2015	Contracts on Home Builders Grant	102,000.00	Trinity Builders	98,200.00	Due to complaints received and unfinished work on projects
6/24/2015	Fingerprint scanner	34,938.00	MorphoTrust USA	26,984.00	Repair center was closer and customer support was better

CHICKASAW COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our test results did not identify any emergency purchases.

CHICKASAW COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

Schedule 3

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



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Chickasaw County, Mississippi

In planning and performing our audit of the financial statements of Chickasaw County, Mississippi for the year ended September 30, 2015, we considered the Chickasaw County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Chickasaw County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 11, 2016, on the financial statements of Chickasaw County, Mississippi.

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

The results of our review procedures and compliance tests identified a certain instance of non-compliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Chancery Clerk

1. The Public Depositor annual report should be filed in a timely manner

Finding

The Chancery Clerk is required to file the Public Depositor Annual Report for the county with the Office of the State Treasurer within 30 days of fiscal year end, per Section 27-105-5(6)(b). Therefore, the required filing date for the county would be October 30, 2015. The report was filed properly, but was filed late on December 17, 2015.

Recommendation

The county should take care to ensure all required annual reports are filed by the appropriate date, in accordance with state statutes.

Response

The Chancery Clerk will take care to ensure all reports are filed by the date required by state law.

Chickasaw 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 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.

Okolona, Mississippi
October 11, 2016

Watkins Ward and Stafford, PLLC

CHICKASAW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CHICKASAW COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Business-type activities | Unmodified |
| | Aggregate discretely presented component units | Adverse |
| | Each major fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

CHICKASAW COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2015

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

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

2015-01 Finding

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

Recommendation

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

Response

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

Material Weakness

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

2015-02 Finding

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

CHICKASAW COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2015

Recommendation

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

Response

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

Material Weakness

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

2015-03 Finding

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

Recommendation

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

Response

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

Tax Assessor/Collector

Material Weakness

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

2015-04 Finding

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

CHICKASAW COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2015

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

Recommendation

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

Response

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

Justice Court Clerk

Material Weakness

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

2015-05 Finding

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

Recommendation

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

Response

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