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**CHICKASAW COUNTY, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**

# CHICKASAW COUNTY, MISSISSIPPI

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CHICKASAW COUNTY

FINANCIAL SECTION



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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, 2016, and the related notes to financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the 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, deferred outflows of resources, deferred inflows of resources, net position, revenues and expenses of the aggregate discretely presented component units has not been determined.

## **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, 2016, 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, 2016, 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 management's discussion and analysis, budgetary comparison information, schedule of the County's proportionate share of the net pension liability, and schedule of the County's 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.

### *Omission of Required Supplementary Information*

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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

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.

The reconciliation of operating costs of solid waste 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. Such information 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 September 30, 2017, 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  
September 30, 2017

*Watkins Ward and Stafford, PLLC*



CHICKASAW COUNTY

FINANCIAL STATEMENTS

**CHICKASAW COUNTY**  
**Statement of Net Position**  
**September 30, 2016**

Exhibit 1

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash	\$ 2,248,227	375,224	2,623,451
Property tax receivable	3,614,313		3,614,313
Fines receivable, net	460,017		460,017
Intergovernmental receivables	259,374	326,627	586,001
Other receivables, net	113,698	8,600	122,298
Prepaid insurance	32,923		32,923
Restricted assets - cash		1,028,855	1,028,855
Capital assets, net	9,606,536	8,706,818	18,313,354
Total assets	<u>\$ 16,335,088</u>	<u>10,446,124</u>	<u>26,781,212</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,306,980	508,270	1,815,250
Total Deferred Outflows of Resources	<u>1,306,980</u>	<u>508,270</u>	<u>1,815,250</u>
<b>LIABILITIES</b>			
Claims payable	\$ 625,746	267,121	892,867
Intergovernmental payables	185,198		185,198
Accrued interest payable	14,577	-	14,577
Other payables	315,294		315,294
Long-term liabilities			
Due within one year:			
Capital related debt	594,881	565,000	1,159,881
Due in more than one year:			
Capital related debt	2,231,449	9,720,000	11,951,449
Capital related bond premium	8,868	23,685	32,553
Non-capital related debt	125,932	45,438	171,370
Net pension liability	7,845,209	3,050,914	10,896,123
Total liabilities	<u>11,947,154</u>	<u>13,672,158</u>	<u>25,619,312</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	341,138	132,665	473,803
Property tax for future reporting period	3,614,313		3,614,313
Total Deferred Inflows of Resources	<u>3,955,451</u>	<u>132,665</u>	<u>4,088,116</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,771,338	(1,601,867)	5,169,471
Restricted for:			
Expendable:			
General government	225,929		225,929
Debt service	-		-
Public safety	976,649		976,649
Public works	17,250		17,250
Culture and recreation	24,043		24,043
Conservation of natural resources	28,688		28,688
Unrestricted	(6,304,434)	(1,248,562)	(7,552,996)
Total Net Position	<u>\$ 1,739,463</u>	<u>(2,850,429)</u>	<u>(1,110,966)</u>

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

CHICKASAW COUNTY  
Statement of Activities  
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities					
General government	\$ 3,068,054	957,329	-	-	(2,110,725)
Public safety	1,747,048	624	558,520	-	(1,187,904)
Public works	1,899,481	196,395	200,530	113,627	(1,388,929)
Health and welfare	190,661		106,165	-	(84,496)
Culture and recreation	466,021			400,549	(65,472)
Conservation of natural resources	111,439		13,610		(97,829)
Economic development and assistance	55,746		100,000		44,254
Pension expense	916,914				(916,914)
Interest on long-term debt	107,270				(107,270)
Total governmental activities	8,562,634	1,154,348	978,825	514,176	(5,915,285)
Business-type Activities					
Chickasaw County Regional					
Correctional Facility	3,254,723	3,192,820		-	(61,903)
Total business-type activities	3,254,723	3,192,820	-	-	(61,903)
Total primary government	\$ 11,817,357	4,347,168	978,825	514,176	(5,977,188)
			Governmental Activities	Business-type Activities	Total
Changes in Net Position:					
Net (expense) / revenue			\$ (5,915,285)	(61,903)	(5,977,188)
General revenues:					
Property taxes			4,775,428		4,775,428
Road & bridge privilege taxes			202,151		202,151
Grants and contributions not restricted to specific programs			303,887		303,887
Unrestricted interest income			5,681	3,401	9,082
Miscellaneous			433,444	72,305	505,749
Transfers			(139,277)	139,277	-
Total General Revenues and Transfers			5,581,314	214,983	5,796,297
Change in net position			(333,971)	153,080	(180,891)
Net Position - Beginning			2,073,434	(3,003,509)	(930,075)
Net Position, Ending			\$ 1,739,463	(2,850,429)	(1,110,966)

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

**CHICKASAW COUNTY**  
**Balance Sheet – Governmental Funds**  
**September 30, 2016**

Exhibit 3

	Major Funds			
		County Wide		
	General	Road	Other	Total
	Fund	Maintenance	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 751,241	335	1,496,651	2,248,227
Property tax receivable	2,806,696	101,917	705,700	3,614,313
Fines receivable (net of allowance for uncollectibles of \$2,094,068)	460,017	-	-	460,017
Intergovernmental receivables	123,548	134,204	1,622	259,374
Other receivables, net	88,023	-	25,675	113,698
Due from other funds	-	-	20,567	20,567
Total Assets	<u>4,229,525</u>	<u>236,456</u>	<u>2,250,215</u>	<u>6,716,196</u>
<b>LIABILITIES</b>				
Claims payable	390,825	117,289	117,632	625,746
Intergovernmental payables	185,198	-	-	185,198
Due to other funds	20,567	-	-	20,567
Other payables	315,294	-	-	315,294
Total Liabilities	<u>911,884</u>	<u>117,289</u>	<u>117,632</u>	<u>1,146,805</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property tax	2,806,696	101,917	705,700	3,614,313
Unavailable revenue - fines	460,017	-	-	460,017
Total Deferred Inflows of Resources	<u>3,266,713</u>	<u>101,917</u>	<u>705,700</u>	<u>4,074,330</u>
<b>FUND BALANCES</b>				
Restricted:				
General government			225,929	225,929
Public safety			976,649	976,649
Public works		17,250	-	17,250
Culture and recreation			24,043	24,043
Conservation of natural resources			28,688	28,688
Debt service			14,431	14,431
Unassigned	50,928	-	157,143	208,071
Total Fund Balances	<u>50,928</u>	<u>17,250</u>	<u>1,426,883</u>	<u>1,495,061</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,229,525</u>	<u>236,456</u>	<u>2,250,215</u>	<u>6,716,196</u>

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

**CHICKASAW COUNTY**Exhibit 3-1**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2016**

	<u>Amount</u>
<b>Total Fund Balance – Governmental Funds</b>	<b>\$ 1,495,061</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$10,347,787	9,606,536
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	460,017
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.	(2,961,130)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds	(14,577)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,845,209)
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	1,306,980
Deferred inflows of resources related to pensions	(341,138)
<b>Total Net Position – Governmental Activities</b>	<b>\$ <u>1,739,463</u></b>

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

**CHICKASAW COUNTY**Exhibit 4**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended September 30, 2016**

	Major Funds			
	General	County Wide Road Maintenance	Other Governmental	Total Governmental
	Fund	Fund	Funds	Funds
<b>REVENUES</b>				
Property taxes	\$ 3,686,495	135,495	953,438	4,775,428
Road and bridge priviledge taxes	-	202,151	-	202,151
Licenses, commissions, and other revenue	392,671	-	149,257	541,928
Fines and forfeitures	291,058	-	78,414	369,472
Intergovernmental revenues	392,440	645,586	758,862	1,796,888
Charges for services	-	-	166,498	166,498
Interest income	5,341	-	340	5,681
Miscellaneous revenues	355,069	57,934	15,970	428,973
Total Revenues	<u>5,123,074</u>	<u>1,041,166</u>	<u>2,122,779</u>	<u>8,287,019</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,788,417	-	313,661	3,102,078
Public safety	1,332,483	-	459,773	1,792,256
Public works	-	964,511	635,065	1,599,576
Health and welfare	190,661	-	-	190,661
Culture and recreation	-	-	462,699	462,699
Conservation of natural resources	111,439	-	-	111,439
Economic development and assistance	55,746	-	-	55,746
Debt service:				
Principal	62,280	113,321	420,291	595,892
Interest	7,559	13,193	89,382	110,134
Other	-	-	2,790	2,790
Total Expenditures	<u>4,548,585</u>	<u>1,091,025</u>	<u>2,383,661</u>	<u>8,023,271</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>574,489</u>	<u>(49,859)</u>	<u>(260,882)</u>	<u>263,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets	10,168	4,371	-	14,539
Transfers in	-	78,000	636,610	714,610
Transfers out	(658,000)	-	(195,887)	(853,887)
Total Other Financing Sources (Uses)	<u>(647,832)</u>	<u>82,371</u>	<u>440,723</u>	<u>(124,738)</u>
Net Change in Fund Balances	<u>(73,343)</u>	<u>32,512</u>	<u>179,841</u>	<u>139,010</u>
Fund Balances - Beginning	<u>124,271</u>	<u>(15,262)</u>	<u>1,247,042</u>	<u>1,356,051</u>
Fund Balances - Ending	<u>\$ 50,928</u>	<u>17,250</u>	<u>1,426,883</u>	<u>1,495,061</u>

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

**CHICKASAW COUNTY**Exhibit 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, 2016**

<b>Net Changes in Fund Balances - Governmental Funds</b>	<b>\$ 139,010</b>
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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 \$67,748 was exceeded by current depreciation of \$613,513 in the current period.	(545,765)
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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 \$595,892 exceeded debt proceeds of \$0.	595,892
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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 \$5,199 less the proceeds received \$14,539.	(9,341)
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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.	75,723
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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 decrease in compensated absences liability	56,217	
The amortization of bond premium.	2,955	
The amount of decrease in accrued interest payable.	2,699	61,871

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:

Contributions made to defined benefit pension plan	265,553	
Pension Expense	(916,914)	(651,361)

<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>(333,971)</u></b>
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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, 2016**

Exhibit 5

	<b>Chickasaw County Regional Correctional Facility</b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 375,224
Intergovernmental receivables	326,627
Other receivables, net	8,600
Total current assets	<u>710,451</u>
Non-current assets:	
Restricted assets - cash	1,028,855
Capital assets, net	8,706,818
Total non-current assets	<u>9,735,673</u>
Total Assets	<u>10,446,124</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	508,270
Total Deferred Outflows of Resources	<u>508,270</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Claims payable	\$ 267,121
Capital debt	
Other long-term liabilities	565,000
Total current liabilities	<u>832,121</u>
Non-current liabilities:	
Capital debt	
Other long-term liabilities	9,720,000
Bond premium	23,685
Net pension liability	3,050,914
Compensated absences	45,438
Total non-current liabilities	<u>12,840,037</u>
Total Liabilities	<u>13,672,158</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	132,665
Total Deferred Inflows of Resources	<u>132,665</u>
 <b>NET POSITION</b>	
Net investment in capital assets	(1,601,867)
Unrestricted	(1,248,562)
Total Net Position	<u>\$ (2,850,429)</u>

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



**CHICKASAW COUNTY**Exhibit 6**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund  
For the Year Ended September 30, 2016**

	<b>Chickasaw County Regional Correctional Facility</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,192,820
Miscellaneous	72,305
Total operating revenues	<u>3,265,125</u>
<b>OPERATING EXPENSES</b>	
Personal services	1,194,814
Contractual services	424,328
Utilities	295,867
Repairs and maintenance	98,052
Other supplies and expense	32,688
Depreciation	208,087
Insurance	306,286
Miscellaneous	23,830
Pension expense	356,576
Total operating expenses	<u>2,940,528</u>
Operating income (loss)	324,597
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	3,401
Interest expense	(312,094)
Transfer from governmental funds	139,277
Fiscal agent fees and bond issue costs	(3,680)
Amortization of bond premium	1,579
Total non-operating revenues (expenses)	<u>(171,517)</u>
Change in net position	153,080
Net Position, beginning	<u>(3,003,509)</u>
Net Position, ending	<u>\$ (2,850,429)</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, 2016**

Exhibit 7

	<b>Chickasaw County Regional Correctional Facility</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 3,248,046
Payments to suppliers	(1,143,854)
Payments to employees	(1,149,376)
Other receipts (payments)	(351,416)
Net Cash Flows from Operating Activities	<u>603,400</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfers from other funds	<u>139,277</u>
Net Cash Flows from Noncapital Financing Activities	<u>139,277</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Principal payment on capital debt	(667,615)
Interest payment on capital debt	(319,344)
Net Cash Flows from Capital and Related Financing Activities	<u>(986,959)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on deposits	<u>3,403</u>
Net Cash Flows from Investing Activities	<u>3,403</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(240,879)
Cash and Cash Equivalents at Beginning of Year	<u>1,644,958</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,404,079</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 324,597
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	208,087
Pension expense	356,576
Contributions made to defined benefit plan	(351,416)
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	(25,100)
(Increase) decrease in other receivables	8,021
Increase (decrease) in claims payable	37,197
Increase in compensated absences	45,438
Total Adjustments	<u>278,803</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 603,400</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, 2016**

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$      81,326
Total Assets	\$      81,326
<b>LIABILITIES</b>	
Intergovernmental Payables	\$      81,326
Total Liabilities	\$      81,326

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 fund 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:

	Capitalization Thresholds	Estimated Useful Life
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 inflows 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 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.

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."

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the County's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted 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.

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

CHICKASAW COUNTY  
Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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 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.

CHICKASAW COUNTY  
Notes to Financial Statements

(2) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2016, was \$3,733,632, and the bank balance was \$4,098,522. 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. 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). 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, 2016:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 20,567
Total		<u>\$ 20,567</u>

The receivables represent the tax revenue collected but not settled until October 2016. 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	\$ 78,000
Other Governmental Funds	General Fund	492,610
Other Governmental Funds	Other Governmental Funds	144,000
Proprietary Fund	General Fund	87,390
Proprietary Fund	Other Governmental Funds	<u>51,887</u>
Total		<u>\$ 853,887</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, 2016 consisted of the following:

<hr/>	
Governmental Activities:	
Receivables from local governments	\$ 35,952
Legislative tax credit	90,309
Other state receivables	83,370
Federal Emergency Management Agency	48,943
U.S. Dept. of Housing and Urban Development	800
Total Governmental Activities	<u>\$ 259,374</u>
Business-type Activities:	
State reimbursement for housing inmates	\$ 237,487
Local government reimbursement for housing inmates	89,140
Total Business-type Activities	<u>\$ 326,627</u>

(5) Restricted Assets.

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

<hr/>	
Debt service reserve	\$ 1,028,855
Total restricted assets	<u>\$ 1,028,855</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, 2016.

Governmental Activities:	Balance			Balance
	Oct. 1, 2015	Additions	Deletions	Sept. 30, 2016
<u>Non-depreciable capital assets:</u>				
Land	\$ 395,098			395,098
Constuction in progress	-			-
Total non-depreciable capital assets	395,098	-	-	395,098
<u>Depreciable capital assets:</u>				
Infrastructure	6,910,390			6,910,390
Buildings	5,440,435			5,440,435
Building improvements	83,048			83,048
Mobile equipment	5,438,688	67,748	87,834	5,418,602
Furniture and equipment	635,448		5,566	629,882
Leased property under capital lease	1,076,868			1,076,868
Total depreciable capital assets	19,584,877	67,748	93,400	19,559,225
<u>Less accumulated depreciation for:</u>				
Infrastructure	1,866,489	193,520		2,060,009
Buildings	2,431,678	66,421		2,498,099
Building improvements	3,322	3,322		6,644
Mobile equipment	4,540,255	208,588	79,050	4,669,793
Furniture and equipment	562,779	22,243	5,009	580,013
Leased property under capital leases	413,810	119,419		533,229
Total accumulated depreciation	9,818,333	613,513	84,059	10,347,787
Total depreciable capital assets, net	9,766,544	(545,765)	9,341	9,211,438
Governmental activities capital assets, net	\$ 10,161,642	(545,765)	9,341	9,606,536
Business-type Activities:	Balance			Balance
	Oct. 1, 2015	Additions	Deletions	Sept. 30, 2016
<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	47,322	15,773		63,095
Buildings	902,624	180,406		1,083,030
Mobile equipment	47,514	11,908		59,422
Total accumulated depreciation	997,460	208,087	-	1,205,547
Total depreciable capital assets, net	8,914,905	(208,087)	-	8,706,818
Business-type activities capital assets, net	\$ 8,914,905	(208,087)	-	8,706,818

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	\$ 77,491
Public safety	149,727
Public works	382,973
Culture and recreation	3,322
Total governmental activities depreciation expense	<u>\$ 613,513</u>
Business-type activities:	
Correctional facility	<u>\$ 208,087</u>
Total business-type activities depreciation expense	<u>\$ 208,087</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, 2016, to January 1, 2017. 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, 2016:

<u>Classes of property</u>	<u>Amount</u>
Mobile Equipment	\$ 1,076,868
Less: Accumulated Depreciation	<u>(533,229)</u>
Leased property under capital lease	<u>\$ 543,639</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, 2016:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 161,505	17,830
2018	458,808	10,418
Total	<u>\$ 620,313</u>	<u>28,248</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2016, consisted of the following:

<u>Description</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road Improvement Refunding Bonds, Series 2012	\$ 525,000	0.75/2.00%	6/01/19
General Obligation Refunding Bonds, Series 2008	<u>1,424,000</u>	3.99%	8/01/23
Total General Obligation Bonds	<u>\$ 1,949,000</u>		
B. Capital Leases:			
AS400 upgrade	\$ 14,960	2.20%	12/01/17
John Deere motor grader	129,113	3.95%	5/30/18
(2) John Deere motor graders	245,298	3.95%	5/31/18
(2) Mack dump trucks	185,577	2.12%	5/19/18
Kubota tractor	10,555	2.06%	6/09/17
Refinance of (2) Mack tractors	<u>34,810</u>	2.11%	6/30/17
Total Capital Leases	<u>\$ 620,313</u>		
C. Other Loans:			
Fire Truck - CAP Loan	\$ 62,521	2.00%	12/01/20
Negotiable Note - Series 2012	6,389	2.33%	4/20/17
Negotiable Note - Series 2012	2,565	2.33%	7/20/17
Three Rivers Lawsuit Note Payable	<u>185,542</u>	3.00%	7/01/14
Total Other Loans	<u>\$ 257,017</u>		



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	\$ 1,305,000	2.50-5.50%	4/01/09
Revenue Refunding Bonds, Series 2015	8,980,000	2.50-3.12%	4/23/31
Total Limited Obligation Bonds	<u>\$ 10,285,000</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 (\$1,305,000 outstanding at September 30, 2016 due to refunding) and \$9,140,000 (\$8,980,000 outstanding at September 30, 2016) 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 and Series 2015 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 and Series 2015 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 and Series 2015 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 \$2,612,025 and on the Series 2015 refunding bonds is \$11,361,807. Principal and interest paid for the current year and total inmate housing net revenues were \$1,263,746 and \$3,155,660, respectively.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
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	211,000	26,254	2,497	7
2022-2026	447,000	26,932	-	-
Total Governmental Activities	<u>\$ 1,949,000</u>	<u>258,408</u>	<u>257,017</u>	<u>14,187</u>

CHICKASAW COUNTY  
Notes to Financial Statements

(9) Long-term Debt (continued)

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2017	\$ 565,000	698,208
2018	585,000	677,443
2019	610,000	654,938
2020	635,000	233,564
2021	625,000	217,688
2022-2026	3,395,000	844,815
2027-2031	3,870,000	362,176
Total Business-type Activities	\$ 10,285,000	3,688,832

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, 2016, the amount of outstanding debt was equal to 3.11% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

Governmental Activities:	Balance	Additions	Reductions	Balance	Amount due
	Oct. 1, 2015			Sept. 30, 2016	Within one Year
Compensated absences	\$ 182,149		56,217	125,932	N/A
General obligation bonds	2,288,000		339,000	1,949,000	350,000
Add: Bond premium	11,823		2,955	8,868	N/A
Capital leases	790,938		170,625	620,313	161,505
Other loans	343,284		86,267	257,017	83,376
Total	\$ 3,616,194	-	655,064	2,961,130	594,881

Business-type Activities:

Limited obligation bonds	\$ 10,845,000		560,000	10,285,000	565,000
Add: Bond premium	25,264		1,579	23,685	N/A
Compensated absences		45,438		45,438	N/A
Other Loans	107,615		107,615	-	-
Total	\$ 10,977,879	45,438	669,194	10,354,123	565,000

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, 2016:

<u>Fund</u>	<u>Deficit Amount</u>
E911 Fund	\$ 2,874
Solid Waste Fund	9,057
Home Investment CDBG Fund	800

(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 \$77,132 for fiscal year 2016. 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 \$27,946 for fiscal year 2016.

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 2016.

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 \$461,714 for maintenance and support of the college for fiscal year 2016.

(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, 2016 was 15.75% of annual covered payroll. The contribution requirements of

CHICKASAW COUNTY  
Notes to Financial Statements

(14) Defined Benefit Pension Plan (continued)

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, 2016, 2015, and 2014 were \$627,972, \$632,883, and \$646,345, respectively, which equaled the required contributions for each year.

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

At September 30, 2016, the county reported a liability of \$10,896,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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. The county's proportionate share used to calculate the September 30, 2016 net pension liability was 0.061 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.0026 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the county recognized pension expense of \$1,273,490. At September 30, 2016, 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	\$ 285,358	\$
Net difference between projected and actual earnings on pension plan investments	861,022	
Changes of assumptions	391,593	(28,955)
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	128,734	(444,848)
Entity's contributions subsequent to the measurement date	148,543	
Total	\$ <u>1,815,250</u>	\$ <u>(473,803)</u>

\$148,543 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CHICKASAW COUNTY  
Notes to Financial Statements

(14) Defined Benefit Pension Plan (continued)

Total Amortization of Deferred Amounts	Total Amortization
9/30/2017	471,674
9/30/2018	369,777
9/30/2019	136,197
9/30/2020	215,256

*Actuarial assumptions.* The total pension liability in the June 30, 2016 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, 2016 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>	

CHICKASAW COUNTY  
Notes to Financial Statements

(14) Defined Benefit Pension Plan (continued)

*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 (9.00 percent) and that employer contributions will be made at the current employer contribution rate (15.75 percent). 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.

*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%)
County's proportionate share of the net pension liability	\$ 13,971,273	\$ 10,896,123	\$ 8,344,746

*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) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$6,304,434) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$103,980 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$1,203,000 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$341,138 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 4 years.

The business-type activities' unrestricted net position amount of (\$1,248,562) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$44,563 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$463,707 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$132,665 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 4 years.

CHICKASAW COUNTY  
Notes to Financial Statements

(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 September 30, 2017, 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, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 3,552,468	3,668,349	3,668,349	
Licenses, commissions and other revenue	341,434	389,271	389,271	
Fines and forfeitures	256,800	288,018	288,018	
Intergovernmental revenues	442,653	363,703	363,703	
Miscellaneous revenues	310,315	325,890	325,890	
Total Revenues	<u>4,903,670</u>	<u>5,035,231</u>	<u>5,035,231</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,022,992	2,768,065	2,768,065	
Public safety	1,280,324	1,290,929	1,290,929	
Health and welfare	189,238	184,928	184,928	
Conservation of natural resources	120,602	115,656	115,656	
Economic development and assistance	59,946	54,746	54,746	
Debt service:				
Principal	65,506	62,280	62,280	
Interest		7,559	7,559	
Total Expenditures	<u>4,738,608</u>	<u>4,484,163</u>	<u>4,484,163</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>165,062</u>	<u>551,068</u>	<u>551,068</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		10,717	10,717	
Transfers out		(658,000)	(658,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(647,283)</u>	<u>(647,283)</u>	<u>-</u>
Net Change in Fund Balance	165,062	(96,215)	(96,215)	
Fund Balances - Beginning	314,701	314,701	314,701	
Fund Balances - Ending	<u>\$ 479,763</u>	<u>218,486</u>	<u>218,486</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, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 127,810	135,495	135,495	
Road and bridge privilege taxes	202,000	202,151	202,151	
Intergovernmental revenues	549,650	594,819	594,819	
Miscellaneous revenues	4,500	21,982	21,982	
Total Revenues	<u>883,960</u>	<u>954,447</u>	<u>954,447</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public works	880,875	919,407	919,407	
Debt service:				
Principal	150,625	113,321	113,321	
Interest		13,193	13,193	
Total Expenditures	<u>1,031,500</u>	<u>1,045,921</u>	<u>1,045,921</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(147,540)</u>	<u>(91,474)</u>	<u>(91,474)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		4,371	4,371	
Transfers in	147,540	78,000	78,000	
Total Other Financing Sources and Uses	<u>147,540</u>	<u>82,371</u>	<u>82,371</u>	<u>-</u>
Net Change in Fund Balance	-	(9,103)	(9,103)	
Fund Balances - Beginning	609,146	609,146	609,146	
Fund Balances - Ending	<u>\$ 609,146</u>	<u>600,043</u>	<u>600,043</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>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.0610%	0.0636%
County's proportionate share of the net pension liability	\$ 10,896,123	9,831,306
County's covered-employee payroll	\$ 3,870,760	3,971,130
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	281.50%	247.57%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	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>2016</u>	<u>2015</u>
Contractually required contribution	\$ 627,972	632,883
Contribution in relation to the contractually required contribution	627,972	632,883
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
County's covered-employee payroll	3,987,124	4,018,305
Contributions as a percentage of its covered-employee payroll	15.75%	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, 2016

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, 2016

D. 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:

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis) - change in fund balance	\$ (96,215)	(9,103)
Increase (Decrease)		
Net adjustments for revenue accruals	87,843	86,719
Net adjustments for expenditure accruals	<u>(64,971)</u>	<u>(45,104)</u>
GAAP Basis - change in fund balance	\$ <u><u>(73,343)</u></u>	<u><u>32,512</u></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.

B. Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 valuation). The following actuarial methods and assumptions were used to determine the most recent contributions rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 years
Asset valuation method	5-year smoothed market
Price Inflation	3.50 percent
Salary increase	4.25 to 19.25 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

CHICKASAW COUNTY

SUPPLEMENTAL INFORMATION



**CHICKASAW COUNTY**  
**Reconciliation of Operating Costs of Solid Waste**  
**For the Year Ended September 30, 2016**

Operating Expenditures, Cash Basis:

Salaries	\$	124,811
Expendable Commodities:		
Gasoline and petroleum		23,380
Repair parts		32,747
Maintenance		<u>16,607</u>
Solid Waste Cash Basis Operating Expenditures		<u>197,545</u>

Full Cost Expenses:

Indirect administrative costs		4,046
Depreciation on equipment		3,099
Net effect of other accrued expenses		<u>1,737</u>
Total Full Cost Expenses		<u>8,882</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>206,427</u></u>

CHICKASAW COUNTY

OTHER INFORMATION

**CHICKASAW COUNTY**  
**Schedule of Surety Bonds for County Officials**  
**For the Year Ended September 30, 2016**  
**UNAUDITED**

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Bond</b>
Anderson McFarland	Supervisor - 1st District	Briarfield/FCCI	\$100,000
William Blissard	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
Norman Griffin	County Administrator	Western Surety	\$100,000
Tiffany Lovvorn	Chancery Clerk	Western Surety	\$100,000
Tommie Morgan	Purchase Clerk	Western Surety	\$75,000
Janice Smith	Assistant Purchase Clerk	N/A	N/A
Deloise Rhodes	Receiving Clerk	Briarfield/FCCI	\$75,000
Tiffany Lovvorn	Inventory Control Clerk	Western Surety	\$75,000
Kenneth Funderburk	Road Manager	Western Surety	\$50,000
Billy Voyles	Constable - 1st District	Western Surety	\$50,000
Unshay Randle	Constable - 2nd District	Western Surety	\$50,000
Cassandra Pullium	Circuit Clerk	Briarfield/FCCI	\$100,000
James D. Meyers	Sheriff	Western Surety	\$100,000
Garry Turner	Justice Court Judge - 1st District	Western Surety	\$50,000
Judy Posey	Justice Court Judge - 2nd District	Western Surety	\$50,000
Mary Sue Gann	Justice Court Clerk	Western Surety	\$50,000
Deloise Rhodes	Justice Court Clerk	Briarfield/FCCI	\$50,000
Judy Mae Henson	Justice Court Clerk	Western Surety	\$50,000
Sue Ard	Tax Assessor-Collector	Western Surety	\$100,000
Glenda Dixon	Deputy Tax Collector	Briarfield/FCCI	\$50,000
Nasheena Nance	Deputy Tax Collector	Western Surety	\$50,000
Emily Makamson	Deputy Tax Collector	Western Surety	\$50,000
Paula Harmon	Deputy Tax Collector	Western Surety	\$50,000
Ruby King	Deputy Tax Collector	Western Surety	\$50,000
Sherrie Maharrey	Deputy Tax Collector	Western Surety	\$50,000
Lisa Ely	Deputy Tax Collector	Briarfield/FCCI	\$50,000
Reyna Montoya	Deputy Tax Collector	Western Surety	\$50,000

CHICKASAW COUNTY

SPECIAL REPORTS



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

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**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, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 30, 2017.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005 to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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.

**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  
September 30, 2017

*Watkins Ward and Stafford, PLLC*



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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, 2016. 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, 2016.

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 Chickasaw County, Mississippi's compliance with the aforementioned requirements, 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  
September 30, 2017

*Watkins Ward and Stafford, PLLC*

CHICKASAW COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2016

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>
1/19/2016	John Deere Axle Assembly	\$9,955.00	Broken Tractor, LLC	\$8,875.00	The other bidder's offer did not include a warranty for the item.
1/19/2016	Wash rock	\$5.73/Ton	North MS Gravel Sales, LLC	\$5.44/Ton	Due to the proximity of the gravel pits, the driver mistakenly hauled from the wrong company. All subsequent transactions are awarded to the lowest bidder, Mississippi Gravel Sales, LLC.
2/16/2016	Legal publications	\$0.05/Word	Okolona Messenger	\$.04/Word	Okolona Messenger argued that the Chickasaw Journal did not qualify for the bid. The board agreed after contacting A.G. Jim Hood.



CHICKASAW COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2016

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
6/21/2016	Repairs to garbage truck	11,501.95	Summit Truck	The board determined that contracting services would be more costly than the repair of the garbage truck.

CHICKASAW COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2016

Schedule 3

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



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

Members of the Board of Supervisors  
Chickasaw County, Mississippi

In planning and performing our audit of the financial statements of Chickasaw County, Mississippi for the year ended September 30, 2016, 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 September 30, 2017, on the financial statements of Chickasaw County, Mississippi.

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

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

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 7, 2016.

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.

2. Purchasing Clerks and Deputies should be bonded

Finding

The Assistant Purchasing Clerk, Janice Smith, was not bonded during the FYE 2016. This is a requirement per Section 31-7-124. Also, four Deputies were not bonded during the FYE 2016. This is a requirement per Section 45-5-9.

Recommendation

The county should take care to ensure all required personnel are bonded.

Response

The Chancery Clerk will take care to ensure all personnel are bonded.

Chickasaw County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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

Okolona, Mississippi  
September 30, 2017

*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, 2016

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
General Fund	Unmodified
Countywide Road Maintenance 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, 2016

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.

2016-001 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.

2016-002 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, 2016

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.

2016-003 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.

2016-004 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, 2016

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.

2016-005 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.