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CHICKASAW COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CHICKASAW COUNTY, MISSISSIPPI

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CHICKASAW COUNTY, MISSISSIPPI

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, 2018, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units 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, 2018, 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.

Basis of Qualified Opinion on Governmental Activities, Business-Type Activities, Each Major Fund and Aggregate Remaining Funds

As discussed in Note 09 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, business-type activities, each major fund and aggregate remaining funds, and accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities, business-type activities, each major fund and aggregate remaining funds. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities, business-type activities, each major fund and aggregate remaining funds has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, Each Major Fund and Aggregate Remaining Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and aggregate remaining funds of Chickasaw County, Mississippi, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the 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 relate(s) 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 basic 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 as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019, 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 solely 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 effectiveness of Chickasaw County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chickasaw County, Mississippi's internal control over financial reporting and compliance.

Okolona, Mississippi
October 3, 2019

Watkins Ward and Stafford, PLLC

CHICKASAW COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Totals
ASSETS			
Cash	\$ 2,391,202	198,559	2,589,761
Property tax receivable	3,887,719		3,887,719
Fines receivable, net	548,258		548,258
Intergovernmental receivables	144,999	294,258	439,257
Other receivables, net	340,646	42,938	383,584
Prepaid insurance	32,923		32,923
Restricted assets - cash		1,047,411	1,047,411
Capital assets, net	9,351,043	8,294,218	17,645,261
Total assets	\$ 16,696,790	9,877,384	26,574,174
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	213,795	83,143	296,938
Total Deferred Outflows of Resources	213,795	83,143	296,938
LIABILITIES			
Claims payable	\$ 490,806	221,350	712,156
Intergovernmental payables	223,957		223,957
Accrued interest payable	10,130	-	10,130
Other payables	91,341		91,341
Long-term liabilities			
Due within one year:			
Capital related debt	596,306	610,000	1,206,306
Due in more than one year:			
Capital related debt	1,200,591	8,525,000	9,725,591
Capital related bond premium	2,958	20,527	23,485
Non-capital related debt	141,723	38,271	179,994
Net pension liability	7,246,879	2,818,231	10,065,110
Total liabilities	10,004,691	12,233,379	22,238,070
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	401,086	155,978	557,064
Property tax for future reporting period	3,887,719		3,887,719
Total Deferred Inflows of Resources	4,288,805	155,978	4,444,783
NET POSITION			
Net investment in capital assets	7,551,188	(861,309)	6,689,879
Restricted for:			
Expendable:			
General government	340,960		340,960
Public safety	1,149,328		1,149,328
Public works	40,027		40,027
Culture and recreation	347,925		347,925
Conservation of natural resources	28,688		28,688
Unrestricted	(6,841,027)	(1,567,521)	(8,408,548)
Total Net Position	\$ 2,617,089	(2,428,830)	188,259

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

CHICKASAW COUNTY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2018

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	\$ 3,000,367	951,508	-	-	(2,048,859)
Public safety	1,647,426	-	567,996	-	(1,079,430)
Public works	1,253,219	169,720	97,708	92,820	(892,971)
Health and welfare	191,307		95,946	-	(95,361)
Culture and recreation	10,440			-	(10,440)
Conservation of natural resources	120,034		13,389		(106,645)
Economic development and assistance	49,486		-		(49,486)
Pension expense	655,923				(655,923)
Interest on long-term debt	82,676				(82,676)
Total governmental activities	7,010,878	1,121,228	775,039	92,820	(5,021,791)
Business-type Activities					
Chickasaw County Regional					
Correctional Facility	3,335,824	3,244,498		-	(91,326)
Total business-type activities	3,335,824	3,244,498	-	-	(91,326)
Total primary government	\$ 10,346,702	4,365,726	775,039	92,820	(5,113,117)
			Governmental Activities	Business-type Activities	Total
Changes in Net Position:					
Net (expense) / revenue			\$ (5,021,791)	(91,326)	(5,113,117)
General revenues:					
Property taxes			5,213,388		5,213,388
Road & bridge privilege taxes			204,971		204,971
Grants and contributions not restricted to specific programs			413,301		413,301
Unrestricted interest income			23,266	17,860	41,126
Miscellaneous			605,076	83,870	688,946
Transfers			(232,984)	232,984	-
Total General Revenues and Transfers			6,227,018	334,714	6,561,732
Change in net position			1,205,227	243,388	1,448,615
Net Position - Beginning			1,411,862	(2,672,218)	(1,260,356)
Net Position, Ending			\$ 2,617,089	(2,428,830)	188,259

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

CHICKASAW COUNTY, MISSISSIPPI
Balance Sheet – Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds			
		County Wide		
	General	Road	Other	Total
	Fund	Maintenance	Governmental	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash and cash equivalents	\$ 660,346	17	1,730,839	2,391,202
Property tax receivable	3,018,091	110,314	759,314	3,887,719
Fines receivable (net of allowance for uncollectibles of \$2,090,756)	548,258	-	-	548,258
Intergovernmental receivables	82,211	58,207	4,581	144,999
Other receivables, net	64,328	-	276,318	340,646
Due from other funds	-	-	16,602	16,602
Total Assets	<u>4,373,234</u>	<u>168,538</u>	<u>2,787,654</u>	<u>7,329,426</u>
LIABILITIES				
Claims payable	338,658	47,101	105,047	490,806
Intergovernmental payables	222,707	-	1,250	223,957
Due to other funds	16,602	-	-	16,602
Other payables	91,341	-	-	91,341
Total Liabilities	<u>669,308</u>	<u>47,101</u>	<u>106,297</u>	<u>822,706</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property tax	3,018,091	110,314	759,314	3,887,719
Unavailable revenue - fines	548,258	-	-	548,258
Total Deferred Inflows of Resources	<u>3,566,349</u>	<u>110,314</u>	<u>759,314</u>	<u>4,435,977</u>
FUND BALANCES				
Restricted:				
General government			340,960	340,960
Public safety			1,149,328	1,149,328
Public works		11,123	28,904	40,027
Culture and recreation			347,925	347,925
Conservation of natural resources			28,688	28,688
Debt service			5,142	5,142
Unassigned	137,577	-	21,096	158,673
Total Fund Balances	<u>137,577</u>	<u>11,123</u>	<u>1,922,043</u>	<u>2,070,743</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,373,234</u>	<u>168,538</u>	<u>2,787,654</u>	<u>7,329,426</u>

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

CHICKASAW COUNTY, MISSISSIPPIExhibit 3-1**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2018**

	<u>Amount</u>
Total Fund Balance– Governmental Funds	\$ 2,070,743
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 \$11,262,864	9,351,043
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	548,258
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.	(1,941,578)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds	(10,130)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,246,879)
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	213,795
Deferred inflows of resources related to pensions	(401,086)
Total Net Position – Governmental Activities	\$ <u>2,617,089</u>

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

CHICKASAW COUNTY, MISSISSIPPI

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances-- Governmental Funds
For the Year Ended September 30, 2018

	Major Funds			
	General	County Wide Road Maintenance	Other Governmental Funds	Total Governmental Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 4,043,228	147,369	1,022,791	5,213,388
Road and bridge privilege taxes	-	204,971	-	204,971
Licenses, commissions, and other revenue	360,791	-	158,515	519,306
Fines and forfeitures	203,157	-	75,962	279,119
Intergovernmental revenues	450,972	613,987	216,201	1,281,160
Charges for services	-	-	148,052	148,052
Interest income	21,805	-	1,461	23,266
Miscellaneous revenues	302,405	823	301,848	605,076
Total Revenues	5,382,358	967,150	1,924,830	8,274,338
EXPENDITURES				
Current:				
General government	2,501,924	-	419,230	2,921,154
Public safety	1,304,871	-	453,824	1,758,695
Public works	-	1,014,355	692,993	1,707,348
Health and welfare	172,677	-	18,630	191,307
Culture and recreation	-	-	7,118	7,118
Conservation of natural resources	120,034	-	-	120,034
Economic development and assistance	49,486	-	-	49,486
Debt service:				
Principal	63,845	216,805	686,138	966,788
Interest	3,828	8,587	67,447	79,862
Other	-	-	7,420	7,420
Total Expenditures	4,216,665	1,239,747	2,352,800	7,809,212
Excess (Deficiency) of Revenues over (under) Expenditures	1,165,693	(272,597)	(427,970)	465,126
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease	-	179,300	216,000	395,300
Compensation for loss of capital assets	4,816	3,684	-	8,500
Transfers in	-	100,700	484,916	585,616
Transfers out	(818,600)	-	-	(818,600)
Total Other Financing Sources (Uses)	(813,784)	283,684	700,916	170,816
Net Change in Fund Balances	351,909	11,087	272,946	635,942
Fund Balances - Beginning	(214,332)	36	1,649,097	1,434,801
Fund Balances - Ending	\$ 137,577	11,123	1,922,043	2,070,743

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

CHICKASAW COUNTY, MISSISSIPPI

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, 2018**

Net Changes in Fund Balances - Governmental Funds \$ 635,942

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 \$526,558 exceeded current depreciation of \$492,277 in the current period. 34,281

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 \$966,788 exceeded debt proceeds of \$395,300. 571,488

In the Statement of Activities, only gains and losses from the sale or disposal of capital assets are reported, whereas in the Governmental Funds, gains from the sale or disposal of capital assets increase 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 \$582 less the proceeds received \$8,500. (7,918)

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. 174,169

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

The amount of increase in compensated absences liability	(15,774)	
The amortization of bond premium.	2,955	
The amount of decrease in accrued interest payable.	1,651	(11,168)

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	464,356	
Pension Expense	(655,923)	(191,567)

Change in Net Position of Governmental Activities \$ 1,205,227

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

CHICKASAW COUNTY, MISSISSIPPI
Statement of Net Position – Proprietary Fund
September 30, 2018

Exhibit 5

	Chickasaw County Regional Correctional Facility
ASSETS	
Current assets:	
Cash	\$ 198,559
Intergovernmental receivables	294,258
Other receivables, net	42,938
Total current assets	<u>535,755</u>
Non-current assets:	
Restricted assets - cash	1,047,411
Capital assets, net	8,294,218
Total non-current assets	<u>9,341,629</u>
Total Assets	<u>9,877,384</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	83,143
Total Deferred Outflows of Resources	<u>83,143</u>
 LIABILITIES	
Current liabilities:	
Claims payable	\$ 221,350
Capital debt	
Other long-term liabilities	610,000
Total current liabilities	<u>831,350</u>
Non-current liabilities:	
Capital debt	
Other long-term liabilities	8,525,000
Bond premium	20,527
Net pension liability	2,818,231
Compensated absences	38,271
Total non-current liabilities	<u>11,402,029</u>
Total Liabilities	<u>12,233,379</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	155,978
Total Deferred Inflows of Resources	<u>155,978</u>
 NET POSITION	
Net investment in capital assets	(861,309)
Unrestricted	(1,567,521)
Total Net Position	<u>\$ (2,428,830)</u>

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

CHICKASAW COUNTY, MISSISSIPPIExhibit 6**Statement of Revenues, Expenses, and Changes in Net Position- Proprietary Fund
For the Year Ended September 30, 2018**

	Chickasaw County Regional Correctional Facility
OPERATING REVENUES	
Charges for services	\$ 3,244,498
Miscellaneous	83,250
Total operating revenues	<u>3,327,748</u>
OPERATING EXPENSES	
Personal services	1,359,902
Contractual services	514,136
Utilities	277,276
Repairs and maintenance	106,863
Other supplies and expense	62,395
Depreciation	204,513
Insurance	279,032
Miscellaneous	9,065
Pension expense	255,081
Total operating expenses	<u>3,068,263</u>
Operating income (loss)	259,485
NON-OPERATING REVENUES (EXPENSES)	
Interest income	17,860
Insurance proceeds	620
Interest expense	(269,140)
Transfer from governmental funds	232,984
Amortization of bond premium	1,579
Total non-operating revenues (expenses)	<u>(16,097)</u>
Change in net position	243,388
Net Position, beginning	<u>(2,672,218)</u>
Net Position, ending	<u>\$ (2,428,830)</u>

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

CHICKASAW COUNTY, MISSISSIPPI
Statement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 7

	Chickasaw County Regional Correctional Facility
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 3,424,758
Payments to suppliers	(1,256,846)
Payments to employees	(1,536,696)
Net Cash Flows from Operating Activities	<u>631,216</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers from other funds	<u>232,984</u>
Net Cash Flows from Noncapital Financing Activities	<u>232,984</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal payment on capital debt	(585,000)
Interest payment on capital debt	(269,140)
Insurance proceeds	<u>620</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(853,520)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on deposits	<u>17,860</u>
Net Cash Flows from Investing Activities	<u>17,860</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,540
Cash and Cash Equivalents at Beginning of Year	<u>1,217,430</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,245,970</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>259,485</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	204,513
Pension expense	255,081
Contributions made to defined benefit plan	(180,583)
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	131,328
(Increase) decrease in other receivables	(34,318)
Increase (decrease) in claims payable	(8,079)
Increase in compensated absences	<u>3,789</u>
Total Adjustments	<u>371,731</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 631,216</u>

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

CHICKASAW COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 74,460
Total Assets	\$ 74,460
LIABILITIES	
Intergovernmental Payables	\$ (74,460)
Total Liabilities	\$ (74,460)

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

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies.

a. Financial Reporting Entity.

Chickasaw County, Mississippi (the 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, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

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

c. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Funds:

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

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

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

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, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(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 bonds 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 the 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, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

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

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

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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 13 for additional details.

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(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.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue 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.

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.

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 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, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

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

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.

Fund Balance Flow Assumption:

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

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

o. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this 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, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$3,711,632 and the bank balance was \$3,603,297. 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, 2018:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 16,602
Total		<u>\$ 16,602</u>

The receivables represent the tax revenue collected in September 2018, but not settled until October, 2018. 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	\$ 100,700
Other Governmental Funds	General Fund	484,916
Proprietary Fund	General Fund	232,984
Total		<u>\$ 818,600</u>

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(3) Interfund Transactions and Balances. (continued)

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018 consisted of the following:

Description	Amount
Governmental Activities:	
Receivables from local governments	\$ 20,766
Legislative tax credit	61,341
Other state receivables	62,892
Total Governmental Activities	<u>\$ 144,999</u>
Business-type Activities:	
State reimbursement for housing inmates	\$ 223,788
Local government reimbursement for housing inmates	70,470
Total Business-type Activities	<u>\$ 294,258</u>

(5) Restricted Assets.

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

Description	Amount
Debt service reserve	\$ 1,047,411
Total restricted assets	<u>\$ 1,047,411</u>

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2018:

Governmental Activities:	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2018
<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	459,210		7,369,600
Buildings	5,440,435			5,440,435
Building improvements	83,048			83,048
Mobile equipment	5,672,076	49,952	79,188	5,642,840
Furniture and equipment	629,882	17,396		647,278
Leased property under capital lease	1,035,608			1,035,608
Total depreciable capital assets	19,771,439	526,558	79,188	20,218,809
<u>Less accumulated depreciation for:</u>				
Infrastructure	2,253,619	202,704		2,456,323
Buildings	2,564,520	68,421		2,632,941
Building improvements	9,966	3,322		13,288
Mobile equipment	4,794,901	115,342	71,270	4,838,973
Furniture and equipment	595,910	1,566		597,476
Leased property under capital leases	622,941	100,922		723,863
Total accumulated depreciation	10,841,857	492,277	71,270	11,262,864
Total depreciable capital assets, net	8,929,582	34,281	7,918	8,955,945
Governmental activities capital assets, net	\$ 9,324,680	34,281	7,918	9,351,043
<u>Business-type Activities:</u>				
	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2018
<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	78,869	15,774		94,643
Buildings	1,263,436	180,406		1,443,842
Mobile equipment	71,329	8,333		79,662
Total accumulated depreciation	1,413,634	204,513	-	1,618,147
Total depreciable capital assets, net	8,498,731	(204,513)	-	8,294,218
Business-type activities capital assets, net	\$ 8,498,731	(204,513)	-	8,294,218

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(6) Capital Assets. (continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 271,125
Public safety	89,115
Public works	128,715
Culture and recreation	3,322
Total governmental activities depreciation expense	<u>\$ 492,277</u>
Business-type activities:	
Correctional facility	\$ 204,513
Total business-type activities depreciation expense	<u>\$ 204,513</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, 2018, to January 1, 2019. 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, 2018:

<u>Classes of property</u>	<u>Amount</u>
Mobile Equipment	\$ 1,035,608
Less: Accumulated Depreciation	(723,863)
Leased property under capital lease	<u>\$ 311,745</u>

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(8) Capital Leases. (continued)

The following is a schedule by years of the total payments due as of September 30, 2018:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2019	\$ 104,740	12,155
2020	108,596	8,299
2021	102,301	3,883
2022	48,853	713
Total	\$ 364,490	25,050

(9) Other Postemployment Benefits.

The Chickasaw County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Chickasaw County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(10) Defined Benefit Pension Plan.

Plan Description. Chickasaw County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(10) Defined Benefit Pension Plan. (continued)

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

Contributions. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2018, 2017 and 2016 were \$644,786, \$608,478, and \$627,972, respectively, equal to 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, 2018, the County reported a liability of \$10,065,110 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 net pension liability was .060513 percent, which was based on a measurement date of June 30, 2018. This was an increase of .000513 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$911,004. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(10) Defined Benefit Pension Plan. (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 44,403	42,070
Net difference between projected and actual earnings on pension plan investments		381,336
Changes of Assumptions	5,889	5,605
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	57,843	128,053
Entity's contributions subsequent to the measurement date	188,803	
Total	<u>\$ 296,938</u>	<u>557,064</u>

\$188,803 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2019	\$ (157,883)
2020	(28,793)
2021	(216,991)
2022	(45,262)
	<u>\$ (448,929)</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(10) Defined Benefit Pension Plan. (continued)

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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 as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Assets	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.50	
Cash	1.00		0.00	
Total	100.00			

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%) and that employer contributions will be made at the current employer contribution rate (15.75%). 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 members. 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:

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(10) Defined Benefit Pension Plan. (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 13,252,861	\$ 10,065,110	\$ 7,415,667

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

(11) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

Description	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road Improvement Refunding Bonds, Series 2012	\$ 180,000	0.75/2.00%	6/01/19
General Obligation Refunding Bonds, Series 2008	1,056,000	3.99%	8/01/23
Total General Obligation Bonds	<u>\$ 1,236,000</u>		
B. Capital Leases:			
John Deere motor grader	\$ 87,187	3.90%	5/28/22
(2) John Deere motor graders	165,424	3.90%	5/28/22
(2) Mack dump trucks	111,879	3.69%	6/26/21
Total Capital Leases	<u>\$ 364,490</u>		
C. Other Loans:			
Fire Truck - CAP Loan	\$ 33,872	2.00%	12/01/20
Three Rivers Lawsuit Note Payable	63,994	3.00%	7/01/19
(2) 2017 Dodge Pickups	98,541	2.29%	4/24/21
Total Other Loans	<u>\$ 196,407</u>		
Description	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Revenue Bonds, Series 2009	\$ 455,000	2.50-5.50%	4/01/19
Revenue Refunding Bonds, Series 2015	8,680,000	2.50-3.12%	4/23/31
Total Limited Obligation Bonds	<u>\$ 9,135,000</u>		

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(11) Long-term Debt. (continued)

Pledge of Future Revenues – Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$9,135,000 in limited obligation urban renewal revenue bonds issued in April 2009 (455,000.00 outstanding at September 30, 2018 due to refunding) and 9,140,000 (\$8,680,000 outstanding at September 30, 2018) in limited obligation refunding bonds issued in April 2015. Proceeds from the bonds provided financing for the construction of the Chickasaw County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through April 1, 2019. Annual principal and interest payments on the 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 \$465,238 and on the Series 2015 refunding bonds is 10,575,681. Principal and interest paid for the current year and total inmate housing net revenues were \$855,719 and \$3,244,498, 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
2019	375,000	46,814	116,566	4,334
2020	203,000	34,354	53,743	1,217
2021	211,000	26,254	26,098	181
2022	219,000	17,835		
2022-2026	228,000	9,097	-	-
Total Governmental Activities \$	1,236,000	134,354	196,407	5,732

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2019	610,000	247,676
2020	635,000	233,564
2021	625,000	217,688
2022	645,000	202,063
2022-2026	3,480,000	759,046
2027-2031	3,140,000	245,882
Total Business-type Activities \$	9,135,000	1,905,919

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

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(11) Long-term Debt. (continued)

the County. As of September 30, 2018, the amount of outstanding debt was equal to 1.79% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance			Balance	Amount due
Governmental Activities:	Oct. 1, 2017	Additions	Reductions	Sept. 30, 2018	Within one Year
Compensated absences	\$ 125,949	15,774		141,723	N/A
General obligation bonds	1,599,000		363,000	1,236,000	375,000
Add: Bond premium	5,913		2,955	2,958	N/A
Capital leases	460,392	395,300	491,202	364,490	104,740
Other loans	308,993		112,586	196,407	116,566
Total	<u>\$ 2,500,247</u>	<u>411,074</u>	<u>969,743</u>	<u>1,941,578</u>	<u>596,306</u>
Business-type Activities:					
Limited obligation bonds	\$ 9,720,000		585,000	9,135,000	610,000
Add: Bond premium	22,106		1,579	20,527	N/A
Compensated absences	34,482	3,789		38,271	N/A
Total	<u>\$ 9,776,588</u>	<u>3,789</u>	<u>586,579</u>	<u>9,193,798</u>	<u>610,000</u>

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.

(12) 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.

(13) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$6,841,027) 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 \$145,985 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, 2019. The \$67,810 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 4 years. The \$401,086 balance of the deferred inflow of resources related to pension at

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(13) Effect of Deferred Amounts on Net Position. (continued)

September 30, 2018, will be recognized in pension expense over the next 4 years.

The business-type activities' unrestricted net position amount of (\$1,567,521) 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 \$42,818 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, 2019. The \$40,325 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 4 years. The \$155,978 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

(14) 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 \$76,303 for fiscal year 2018. 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.

(15) 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 \$31,000 for fiscal year 2018.

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 2018.

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 \$461,174 for maintenance and support of the college for fiscal year 2018.

(16) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB), implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to

CHICKASAW COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(16) Tax Abatements. (continued)

take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Chickasaw County Board of Supervisors negotiates property tax abatements on an individual basis. All tax abatement agreements are for a period of not more than seven years and are for the purpose of attracting or retaining businesses within their jurisdictions.

The County had one type of abatement, which does not provide for the abatement of school or state tax levies:

Section 17-21-5 (1), Miss. Code (Ann.) 1972

Category	Amount of Taxes	
	% of Taxes Abated	Abated During the Year
Attracting or retaining businesses	77.40%	\$ 102,149

The companies were not required to comply with any special provisions in order to receive the abatement, and the County made no commitments as part of the agreement other than to reduce taxes.

(17) 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.

(18) Purchasing and Compliance Testing:

The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report and Limited Compliance Review Report.

(19) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Chickasaw County evaluated the activity of the County through October 3, 2019, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

CHICKASAW COUNTY, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

CHICKASAW COUNTY, MISSISSIPPI**Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)****General Fund****For the Year Ended September 30, 2018**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,940,390	4,047,771	4,047,771	
Licenses, commissions and other revenue	341,434	359,663	359,663	
Fines and forfeitures	256,800	204,242	204,242	
Intergovernmental revenues	442,653	453,563	453,563	
Miscellaneous revenues	310,315	326,560	326,560	
Total Revenues	<u>5,291,592</u>	<u>5,391,799</u>	<u>5,391,799</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	3,072,091	2,717,783	2,717,783	
Public safety	1,318,889	1,440,816	1,440,816	
Health and welfare	189,238	173,255	173,255	
Conservation of natural resources	121,526	119,841	119,841	
Economic development and assistance	59,946	52,418	52,418	
Debt service:				
Principal	147,899	63,845	63,845	
Interest		3,828	3,828	
Total Expenditures	<u>4,909,589</u>	<u>4,571,786</u>	<u>4,571,786</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>382,003</u>	<u>820,013</u>	<u>820,013</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		4,319	4,319	
Transfers out		(818,600)	(818,600)	
Total Other Financing Sources and Uses	<u>-</u>	<u>(814,281)</u>	<u>(814,281)</u>	<u>-</u>
Net Change in Fund Balance	382,003	5,732	5,732	
Fund Balances - Beginning	272,481	149,039	149,039	
Fund Balances - Ending	<u>\$ 654,484</u>	<u>154,771</u>	<u>154,771</u>	<u>-</u>

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

CHICKASAW COUNTY, MISSISSIPPI
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
County Wide Road Maintenance Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 142,091	147,369	147,369	
Road and bridge privilege taxes	202,000	204,971	204,971	
Intergovernmental revenues	535,369	613,469	613,469	
Miscellaneous revenues	4,500	821	821	
Total Revenues	<u>883,960</u>	<u>966,630</u>	<u>966,630</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	985,408	1,036,556	1,036,556	
Debt service:				
Principal	37,287	37,287	37,287	
Interest	8,805	8,805	8,805	
Total Expenditures	<u>1,031,500</u>	<u>1,082,648</u>	<u>1,082,648</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(147,540)</u>	<u>(116,018)</u>	<u>(116,018)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		3,684	3,684	
Transfers in	147,540	100,700	100,700	
Total Other Financing Sources and Uses	<u>147,540</u>	<u>104,384</u>	<u>104,384</u>	<u>-</u>
Net Change in Fund Balance	-	(11,634)	(11,634)	
Fund Balances - Beginning	17,250	28,351	28,351	
Fund Balances - Ending	<u>\$ 17,250</u>	<u>16,717</u>	<u>16,717</u>	<u>-</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.060513%	0.060000%	0.061000%	0.063600%
County's proportionate share of the net pension liability	\$ 10,065,110	9,974,036	10,896,123	9,831,306
County's covered payroll	\$ 3,864,324	3,838,260	3,870,760	3,971,130
County's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.86%	281.50%	247.57%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	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, MISSISSIPPI
Schedule of County Contributions
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 644,786	608,478	627,972	632,883
Contribution in relation to the contractually required contribution	644,786	608,478	627,972	632,883
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	4,093,879	3,863,352	3,987,124	4,018,305
Contributions as a percentage of its covered payroll	15.75%	15.75%	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, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2018

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 his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis) - change in fund balance	\$ 5,732	(11,634)
Increase (Decrease)		
Net adjustments for revenue accruals	(9,441)	520
Net adjustments for expenditure accruals	355,618	22,201
GAAP Basis - change in fund balance	\$ 351,909	11,087

CHICKASAW COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2018

Pension Schedules

A. Changes of assumptions.

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

CHICKASAW COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2018

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CHICKASAW COUNTY, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CHICKASAW COUNTY, MISSISSIPPI
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2018

Operating Expenditures, Cash Basis:

Salaries	\$ 103,241
Expendable Commodities:	
Gasoline and petroleum	32,755
Repair parts	17,037
Interest Expense	2,760
Maintenance	<u>23,957</u>
 Solid Waste Cash Basis Operating Expenditures	 <u>179,750</u>

Full Cost Expenses:

Indirect administrative costs	4,227
Depreciation on equipment	23,048
Net effect of other accrued expenses	<u>(5,180)</u>
 Total Full Cost Expenses	 <u>22,095</u>

Solid Waste Full Cost Operating Expenses	\$ <u><u>201,845</u></u>
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CHICKASAW COUNTY, MISSISSIPPI

OTHER INFORMATION

CHICKASAW COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
UNAUDITED

Name	Position	Company	Bond
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	Briarfield/FCCI	\$100,000
Tiffany Lovvorn	Chancery Clerk	Western Surety	\$100,000
Tommie Morgan	Purchase Clerk	Western Surety	\$75,000
Janice Smith	Assistant Purchase Clerk	Briarfield/FCCI	\$50,000
Deloise Rhodes	Receiving Clerk	Briarfield/FCCI	\$75,000
William Winter	Assistant Receiving Clerk	Briarfield/FCCI	\$50,000
Patti Stallings	Assistant Receiving Clerk	Western Surety	\$50,000
Mike Pettit	Assistant Receiving Clerk	Briarfield/FCCI	\$50,000
Brittany Brown	Assistant Receiving Clerk	Western Surety	\$50,000
Kristie Booth	Assistant Receiving Clerk	RLI	\$50,000
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
Lisa McElhenny	Deputy Circuit Clerk	Briarfield/FCCI	\$50,000
Brittany Gates	Deputy Circuit Clerk	Briarfield/FCCI	\$50,000
Patti Stallings	Deputy Circuit Clerk	Briarfield/FCCI	\$50,000
James D. Meyers	Sheriff	Western Surety	\$100,000
Barry Gladney Jr	Sheriff Deputy	Western Surety	\$50,000
John Adam Harmon	Sheriff Deputy	Western Surety	\$50,000
Kenneth Laney	Sheriff Deputy	Western Surety	\$50,000
Keith Robertson	Sheriff Deputy	Western Surety	\$50,000
Terry Ward	Sheriff Deputy	Western Surety	\$50,000
J.R. Kilgore	Sheriff Deputy	Western Surety	\$50,000
Michael Fowler	Sheriff Deputy	Western Surety	\$50,000
S.Brand Huffman	Sheriff Deputy	Western Surety	\$50,000
Michael Ford	Sheriff Deputy	Western Surety	\$50,000
Unshay Randle	Sheriff Deputy	Western Surety	\$50,000
Glen Yeatman	Sheriff Deputy	State Farm	\$50,000
Tommie Bowens	Sheriff Deputy	Western Surety	\$50,000
Joe Carnathan	Sheriff Deputy	Western Surety	\$50,000
Dustin Dendy	Sheriff Deputy	Western Surety	\$50,000

CHICKASAW COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
UNAUDITED

Jaycob Paden	Sheriff Deputy	State Farm	\$50,000
Larry Mims	Sheriff Deputy	Western Surety	\$50,000
Robert Ivy	Sheriff Deputy	State Farm	\$50,000
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 Smith	Deputy Tax Collector	Briarfield/FCCI	\$50,000
Reyna Montoya	Deputy Tax Collector	Western Surety	\$50,000
Martha Tucker	Deputy Tax Collector	Western Surety	\$50,000

CHICKASAW COUNTY, MISSISSIPPI

SPECIAL REPORTS



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

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

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

Members of the Board of Supervisors
Chickasaw County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 3, 2019.

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 (internal control) 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 Chickasaw County Mississippi'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 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.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001, 2018-002 and 2018-003 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Okolona, Mississippi
October 3, 2019

Watkins Ward and Stafford, PLLC

CHICKASAW COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

CHICKASAW COUNTY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Qualified
Business-type activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Countywide Road Maintenance Fund	Qualified
Aggregate remaining fund information	Qualified

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, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2018

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.

2018-001 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

Lack of proper segregation of duties over general accounting functions should be implemented.

2018-002 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, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2018

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

Lack of proper segregation of duties over the payroll function should be implemented.

2018-003 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

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

2018-004 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, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2018

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

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

2018-005 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.

Regional Jail

Material Weakness

Lack of proper segregation of duties over collections and disbursements of the Petty Cash should be implemented in the Regional Jail.

CHICKASAW COUNTY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2018

2018-006 Finding

Cash collection, disbursement, recording, and reconciling functions in the Regional Jail's office are not properly segregated to ensure an adequate internal control structure. An effective system of internal control over collections and disbursements in the Regional Jail's office should include an adequate segregation of duties over the cash collection, disbursement, recording, and reconciling functions. One employee receipts funds, prepares deposits, calculates settlement reports, posts to cash journals, reconciles bank statements, and disburses petty cash funds. This significant deficiency, considered to be a material weakness, could result in the loss of public funds.

Recommendation

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

Response

In the future, the Sheriff will review and approve all petty cash disbursements, petty cash reconciliations, and petty cash reimbursements.