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CHICKASAW COUNTY, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

CHICKASAW COUNTY

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CHICKASAW COUNTY

FINANCIAL SECTION



**WATKINS, WARD and STAFFORD**  
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**INDEPENDENT AUDITORS' REPORT**

Members of the Board of Supervisors  
Chickasaw County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

**Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

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

## **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Chickasaw County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

### *Supplemental and Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2015, on our consideration of Chickasaw County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chickasaw County, Mississippi's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Okolona, Mississippi  
September 15, 2015

*Watkins Ward and Stafford, PLLC*

CHICKASAW COUNTY

FINANCIAL STATEMENTS

CHICKASAW COUNTY  
Statement of Net Position  
September 30, 2014

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash	\$ 2,301,908	723,283	3,025,191
Property tax receivable	3,338,932		3,338,932
Fines receivable, net	438,648		438,648
Intergovernmental receivables	113,909	459,841	573,750
Other receivables, net	84,863	7,553	92,416
Prepaid insurance	32,923		32,923
Restricted assets - cash		899,871	899,871
Capital assets, net	10,582,032	9,127,017	19,709,049
Total assets	\$ 16,893,215	11,217,565	28,110,780
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred debt expense		407,063	407,063
Discount on bond issuance		236,056	236,056
Total Deferred Outflows of Resources	-	643,119	643,119
<b>LIABILITIES</b>			
Claims payable	\$ 585,482	287,504	872,986
Intergovernmental payables	120,986		120,986
Accrued interest payable	19,975	7,008	26,983
Other payables	356,006		356,006
Long-term liabilities			
Due within one year:			
Capital related debt	581,608	525,925	1,107,533
Due in more than one year:			
Capital related debt	3,424,802	9,382,615	12,807,417
Capital related bond premium	14,778		14,778
Non-capital related debt	147,610		147,610
Total liabilities	5,251,247	10,203,052	15,454,299
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	3,338,932	-	3,338,932
Total Deferred Inflows of Resources	3,338,932	-	3,338,932
<b>NET POSITION</b>			
Net investment in capital assets	6,560,844	(781,523)	5,779,321
Restricted for:			
General government	189,871		189,871
Public safety	673,152	2,439,155	3,112,307
Public works	153,119		153,119
Culture and recreation	266,227		266,227
Conservation of natural resources	31,970		31,970
Unrestricted	427,853		427,853
Total Net Position	\$ 8,303,036	1,657,632	9,960,668

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

CHICKASAW COUNTY  
Statement of Activities  
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue																																																								
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions																																																									
<b>Primary government</b>																																																													
<b>Governmental Activities</b>																																																													
General government	\$ 3,336,271	955,666	-	-	(2,380,605)																																																								
Public safety	2,181,630	1,318	530,901	-	(1,649,411)																																																								
Public works	1,545,983	205,896	307,307	113,627	(919,153)																																																								
Health and welfare	188,663		101,465	-	(87,198)																																																								
Culture and recreation	8,568			250,000	241,432																																																								
Conservation of natural resources	100,674		17,010		(83,664)																																																								
Economic development and assistance	54,225		-		(54,225)																																																								
Interest on long-term debt	192,409				(192,409)																																																								
Total governmental activities	<u>7,608,423</u>	<u>1,162,880</u>	<u>956,683</u>	<u>363,627</u>	<u>(5,125,233)</u>																																																								
<b>Business-type Activities</b>																																																													
Chickasaw County Regional																																																													
Correctional Facility	3,825,618	4,133,963		-	308,345																																																								
Total business-type activities	<u>3,825,618</u>	<u>4,133,963</u>	<u>-</u>	<u>-</u>	<u>308,345</u>																																																								
Total primary government	<u>\$ 11,434,041</u>	<u>5,296,843</u>	<u>956,683</u>	<u>363,627</u>	<u>(4,816,888)</u>																																																								
<table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th></th> <th style="text-align: center;">Governmental Activities</th> <th style="text-align: center;">Business-type Activities</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Changes in Net Position:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net (expense) / revenue</td> <td style="text-align: right;">\$ (5,125,233)</td> <td style="text-align: right;">308,345</td> <td style="text-align: right;">(4,816,888)</td> </tr> <tr> <td><b>General revenues:</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Property taxes</td> <td></td> <td style="text-align: right;">4,596,866</td> <td style="text-align: right;">4,596,866</td> </tr> <tr> <td>Road &amp; bridge privilege taxes</td> <td></td> <td style="text-align: right;">197,042</td> <td style="text-align: right;">197,042</td> </tr> <tr> <td>Grants and contributions not restricted to specific programs</td> <td></td> <td style="text-align: right;">355,583</td> <td style="text-align: right;">355,583</td> </tr> <tr> <td>Unrestricted interest income</td> <td></td> <td style="text-align: right;">63</td> <td style="text-align: right;">749</td> </tr> <tr> <td>Miscellaneous</td> <td></td> <td style="text-align: right;">485,368</td> <td style="text-align: right;">57,866</td> </tr> <tr> <td>Transfers</td> <td></td> <td style="text-align: right;">222,888</td> <td style="text-align: right;">(222,888)</td> </tr> <tr> <td>Total General Revenues and Transfers</td> <td></td> <td style="text-align: right;"><u>5,857,810</u></td> <td style="text-align: right;"><u>(164,273)</u></td> </tr> <tr> <td>Change in net position</td> <td></td> <td style="text-align: right;">732,577</td> <td style="text-align: right;">144,072</td> </tr> <tr> <td><b>Net Position, Beginning</b></td> <td></td> <td style="text-align: right;"><u>7,570,459</u></td> <td style="text-align: right;"><u>1,513,560</u></td> </tr> <tr> <td><b>Net Position, Ending</b></td> <td></td> <td style="text-align: right;"><u>\$ 8,303,036</u></td> <td style="text-align: right;"><u>1,657,632</u></td> </tr> </tbody> </table>							Governmental Activities	Business-type Activities	Total	Changes in Net Position:				Net (expense) / revenue	\$ (5,125,233)	308,345	(4,816,888)	<b>General revenues:</b>				Property taxes		4,596,866	4,596,866	Road & bridge privilege taxes		197,042	197,042	Grants and contributions not restricted to specific programs		355,583	355,583	Unrestricted interest income		63	749	Miscellaneous		485,368	57,866	Transfers		222,888	(222,888)	Total General Revenues and Transfers		<u>5,857,810</u>	<u>(164,273)</u>	Change in net position		732,577	144,072	<b>Net Position, Beginning</b>		<u>7,570,459</u>	<u>1,513,560</u>	<b>Net Position, Ending</b>		<u>\$ 8,303,036</u>	<u>1,657,632</u>
	Governmental Activities	Business-type Activities	Total																																																										
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The accompanying notes to financial statements are an integral part of these statements.

CHICKASAW COUNTY  
 Governmental Funds  
 Balance Sheet  
 September 30, 2014

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	County Wide Road Maint. Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 833,168	25,092	1,443,648	2,301,908
Property tax receivable	2,521,269	94,213	723,450	3,338,932
Fines receivable (net of allowance for uncollectibles of \$1,958,207)	438,648	-	-	438,648
Intergovernmental receivables	92,513	21,396	-	113,909
Other receivables, net	49,137	-	35,726	84,863
Due from other funds	-	-	14,883	14,883
<b>Total Assets</b>	<b>3,934,735</b>	<b>140,701</b>	<b>2,217,707</b>	<b>6,293,143</b>
<b>LIABILITIES</b>				
Claims payable	327,613	95,429	162,440	585,482
Intergovernmental payables	120,986	-	-	120,986
Due to other funds	14,883	-	-	14,883
Other payables	356,006	-	-	356,006
<b>Total Liabilities</b>	<b>819,488</b>	<b>95,429</b>	<b>162,440</b>	<b>1,077,357</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property tax	2,521,269	94,213	723,450	3,338,932
Unavailable revenue - fines	438,648	-	-	438,648
<b>Total Deferred Inflows of Resources</b>	<b>2,959,917</b>	<b>94,213</b>	<b>723,450</b>	<b>3,777,580</b>
<b>FUND BALANCES</b>				
Restricted:				
General government			189,871	189,871
Public safety			673,152	673,152
Public works			202,060	202,060
Culture and recreation			266,227	266,227
Conservation of natural resources			31,970	31,970
Debt service			4,052	4,052
Unassigned	155,330	(48,941)	(35,515)	70,874
<b>Total Fund Balances</b>	<b>155,330</b>	<b>(48,941)</b>	<b>1,331,817</b>	<b>1,438,206</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,934,735</b>	<b>140,701</b>	<b>2,217,707</b>	<b>6,293,143</b>

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

CHICKASAW COUNTY

Exhibit 3-1

Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2014

	<u>Amount</u>
<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 1,438,206</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$9,165,698	10,582,032
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	438,648
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.	(4,168,798)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds	(19,975)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>8,303,036</u></b>

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

## CHICKASAW COUNTY

Exhibit 4

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	County Wide Road Maint. Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 3,463,558	130,572	1,002,736	4,596,866
Road and bridge privilege taxes	-	197,042	-	197,042
Licenses, commissions, and other revenue	381,943	-	189,123	571,066
Fines and forfeitures	326,524	-	72,472	398,996
Intergovernmental revenues	440,782	772,540	677,571	1,890,893
Charges for services	-	-	170,993	170,993
Interest income	59	-	4	63
Miscellaneous revenues	331,062	4,828	-	335,890
Total Revenues	<u>4,943,928</u>	<u>1,104,982</u>	<u>2,112,899</u>	<u>8,161,809</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,743,152	-	517,510	3,260,662
Public safety	1,397,785	-	636,072	2,033,857
Public works	-	1,572,174	1,056,219	2,628,393
Health and welfare	188,663	-	-	188,663
Culture and recreation	-	-	8,568	8,568
Conservation of natural resources	100,674	-	-	100,674
Economic development and assistance	54,225	-	-	54,225
Debt service:				
Principal	21,560	370,928	429,435	821,923
Interest	740	20,598	109,887	131,225
Other	-	-	2,790	2,790
Total Expenditures	<u>4,506,799</u>	<u>1,963,700</u>	<u>2,760,481</u>	<u>9,230,980</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>437,129</u>	<u>(858,718)</u>	<u>(647,582)</u>	<u>(1,069,171)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of capital lease	300,000	177,260	271,856	749,116
Proceeds from sale of capital assets	-	212,532	-	212,532
Compensation for loss of capital assets	9,144	5,336	-	14,480
Transfers in	-	466,779	843,664	1,310,443
Transfers out	(890,555)	-	(197,000)	(1,087,555)
Total Other Financing Sources (Uses)	<u>(581,411)</u>	<u>861,907</u>	<u>918,520</u>	<u>1,199,016</u>
Net Change in Fund Balances	<u>(144,282)</u>	<u>3,189</u>	<u>270,938</u>	<u>129,845</u>
Fund Balances - Beginning	<u>299,612</u>	<u>(52,130)</u>	<u>1,060,879</u>	<u>1,308,361</u>
Fund Balances - Ending	<u>\$ 155,330</u>	<u>(48,941)</u>	<u>1,331,817</u>	<u>1,438,206</u>

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

CHICKASAW COUNTY

Exhibit 4-1

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2014

Net Changes in Fund Balances - Governmental Funds \$ 129,845

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  
\$1,120,054 exceeded current depreciation of \$711,553 in the current period. 408,501

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 \$821,923 exceeded debt proceeds of \$749,116. 72,807

In the Statement of Activities, only gains and losses from the sale or disposal of  
capital assets are reported, whereas in the Governmental Funds, losses from the  
sale or disposal of capital assets decrease financial resources. Thus, the change  
in net position differs from the change in fund balance by the amount of the gain  
on the disposal of capital assets \$152,574 less the proceeds received \$227,012. (74,438)

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. 18,729

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

The amount of decrease in compensated absences liability	13,533	
The amortization of bond issuance costs.	(61,356)	
The settlement of a lawsuit	221,994	
The amortization of bond premium.	2,955	
The amount of decrease in accrued interest payable.	7	177,133
	<u>7</u>	

Change in Net Position of Governmental Activities \$ 732,577

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

CHICKASAW COUNTY  
Proprietary Fund  
Statement of Net Position  
September 30, 2014

Exhibit 5

	Business-type Activities - Proprietary Fund Chickasaw County Regional Correctional Facility
<b>ASSETS</b>	
Current assets:	
Cash	\$ 723,283
Intergovernmental receivables	459,841
Other receivables, net	7,553
Total current assets	<u>1,190,677</u>
Non-current assets:	
Restricted assets - cash	899,871
Capital assets, net	9,127,017
Total non-current assets	<u>10,026,888</u>
Total Assets	<u>11,217,565</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred debt expense	407,063
Discount on bond issuance	236,056
Total Deferred Outflows of Resources	<u>643,119</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	\$ 287,504
Accrued interest payable	7,008
Capital debt	
Other long-term liabilities	525,925
Total current liabilities	<u>820,437</u>
Non-current liabilities:	
Capital debt	
Other long-term liabilities	9,382,615
Total non-current liabilities	<u>9,382,615</u>
Total Liabilities	<u>10,203,052</u>
<b>NET POSITION</b>	
Net investment in capital assets	(781,523)
Restricted for:	
Public safety	2,439,155
Total Net Position	<u>\$ 1,657,632</u>

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

CHICKASAW COUNTY

Exhibit 6

Proprietary Fund

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended September 30, 2014

	Business-type Activities - <u>Proprietary Fund</u> Chickasaw County Regional Correctional <u>Facility</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,133,963
Miscellaneous	57,866
Total operating revenues	<u>4,191,829</u>
<b>OPERATING EXPENSES</b>	
Personal services	1,616,525
Contractual services	555,462
Utilities	294,957
Repairs and maintenance	190,814
Other supplies and expense	95,134
Depreciation	212,112
Insurance	304,296
Miscellaneous	13,591
Total operating expenses	<u>3,282,891</u>
Operating income (loss)	<u>908,938</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	749
Interest expense	(515,366)
Transfer to governmental funds	(222,888)
Fiscal agent fees	(2,690)
Amortization of bond issue costs	(24,671)
Total non-operating revenues (expenses)	<u>(764,866)</u>
Change in net position	<u>144,072</u>
Net Position, beginning	<u>1,513,560</u>
Net Position, ending	<u>\$ 1,657,632</u>

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

CHICKASAW COUNTY  
 Proprietary Fund  
 Statement of Cash Flows  
 For the Year Ended September 30, 2014

Exhibit 7

	Business-type Activities - Proprietary Fund Chickasaw County Regional Correctional Facility
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 4,174,203
Payments to suppliers	(1,401,734)
Payments to employees	(1,616,525)
Net Cash Flows from Operating Activities	<u>1,155,944</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfer to other funds	(222,888)
Net Cash Flows from Noncapital Financing Activities	<u>(222,888)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	(46,294)
Principal payment on capital debt	(510,954)
Interest payment on capital debt	(506,991)
Net Cash Flows from Capital and Related Financing Activities	<u>(1,064,239)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on deposits	749
Net Cash Flows from Investing Activities	<u>749</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(130,434)
Cash and Cash Equivalents at Beginning of Year	<u>1,753,588</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,623,154</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 908,938
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	212,112
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(17,818)
(Increase) decrease in other receivables	192
Increase (decrease) in claims payable	52,520
Total Adjustments	<u>247,006</u>
Net Cash Provided (Used) by Operating Activities	<u>1,155,944</u>

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

**CHICKASAW COUNTY**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2014**

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 56,594
Total Assets	<u>56,594</u>
<b>LIABILITIES</b>	
Intergovernmental Payables	\$ 56,594
Total Liabilities	<u>\$ 56,594</u>

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

CHICKASAW COUNTY  
Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a

CHICKASAW COUNTY  
Notes to Financial Statements

service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

The county reports the following major Governmental Funds:

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

CHICKASAW COUNTY  
Notes to Financial Statements

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

The county reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

CHICKASAW COUNTY  
Notes to Financial Statements

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Prepaid Items.

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

I. Restricted Assets

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

J. Capital Assets.

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

CHICKASAW COUNTY  
Notes to Financial Statements

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 debt expense – For the county's business-type activities, the expenses associated with the issuance of new debt obligations are reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the debt obligation.

Discount on bond issuance – For the county's business-type activities, the difference between the face value of the debt obligations and the selling price of the debt, can result in a discount on the bond issue. This discount is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the debt obligation.

CHICKASAW COUNTY  
Notes to Financial Statements

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

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

L. Long-term Liabilities.

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

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

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

CHICKASAW COUNTY  
Notes to Financial Statements

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

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

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

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

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

N. 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.

O. 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

CHICKASAW COUNTY  
Notes to Financial Statements

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.

P. 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.

Q. Change in Accounting Standards.

The county implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2014, was \$3,981,656, and the bank balance was \$4,036,959. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General	\$ 14,883
Total		\$ <u>14,883</u>

CHICKASAW COUNTY  
Notes to Financial Statements

The receivables represent the tax revenue collected but not settled until October 2014. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General	\$ 346,779
Countywide Road Maintenance Fund	Other Governmental Funds	120,000
Other Governmental Funds	General	543,776
Other Governmental Funds	Other Governmental Funds	77,000
Other Governmental Funds	Proprietary Fund	222,888
Total		<u>\$ 1,310,443</u>

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 62,899
Other state receivables	39,010
Receivables from local governments	12,000
Total Governmental Activities	<u>\$ 113,909</u>
Business-type Activities:	
State reimbursement for housing inmates	\$ 393,211
Local government reimbursement for housing inmates	66,630
Total Business-type Activities	<u>\$ 459,841</u>

(5) Restricted Assets.

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

<u>Description</u>	<u>Amount</u>
Debt service reserve	\$ 899,871
Total restricted assets	<u>\$ 899,871</u>

CHICKASAW COUNTY  
Notes to Financial Statements

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014.

Governmental Activities:	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Non-depreciable capital assets:</u>					
Land	\$ 395,098				395,098
Total non-depreciable capital assets	<u>395,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,098</u>
<u>Depreciable capital assets:</u>					
Infrastructure	6,151,131	669,116			6,820,247
Buildings	5,440,435				5,440,435
Mobile equipment	5,103,599	130,830	46,124	219,739	5,408,044
Furniture and equipment	599,726	7,312			607,038
Leased property under capital lease	1,216,390	312,796	232,579	(219,739)	1,076,868
Total depreciable capital assets	<u>18,511,281</u>	<u>1,120,054</u>	<u>278,703</u>	<u>-</u>	<u>19,352,632</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	1,483,532	189,347			1,672,879
Buildings	2,300,837	64,420			2,365,257
Mobile equipment	3,900,037	313,996	36,809	120,334	4,297,558
Furniture and equipment	511,242	24,371			535,613
Leased property under capital leases	462,762	119,419	167,456	(120,334)	294,391
Total accumulated depreciation	<u>8,658,410</u>	<u>711,553</u>	<u>204,265</u>	<u>-</u>	<u>9,165,698</u>
Total depreciable capital assets, net	<u>9,852,871</u>	<u>408,501</u>	<u>(74,438)</u>	<u>-</u>	<u>10,186,934</u>
Governmental activities capital assets, net	<u>\$ 10,247,969</u>	<u>408,501</u>	<u>(74,438)</u>	<u>-</u>	<u>10,582,032</u>

CHICKASAW COUNTY  
Notes to Financial Statements

Adjustments to capital assets were for property of the county where the capital lease obligation was fulfilled during the fiscal year. Therefore, the applicable capital assets were re-classified from *Leased property under capital leases* to the *Mobile equipment* classification.

Business-type Activities:	Balance				Balance
	Oct. 1, 2013	Additions	Deletions	Adjustments	Sept. 30, 2014
<u>Depreciable capital assets:</u>					
Infrastructure	788,680				788,680
Buildings	9,035,171				9,035,171
Mobile Equipment	42,220	46,294			88,514
Total depreciable capital assets	<u>9,866,071</u>	<u>46,294</u>	<u>-</u>	<u>-</u>	<u>9,912,365</u>
 <u>Less accumulated depreciation for:</u>					
Infrastructure	15,774	15,774			31,548
Buildings	541,812	180,406			722,218
Mobile equipment	15,650	15,932			31,582
Total accumulated depreciation	<u>573,236</u>	<u>212,112</u>	<u>-</u>	<u>-</u>	<u>785,348</u>
 Total depreciable capital assets, net	 <u>9,292,835</u>	 <u>(165,818)</u>	 <u>-</u>	 <u>-</u>	 <u>9,127,017</u>
 Business-type activities capital assets, net	 <u>\$ 9,292,835</u>	 <u>(165,818)</u>	 <u>-</u>	 <u>-</u>	 <u>9,127,017</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 79,513
Public safety	211,290
Public works	420,750
Total governmental activities depreciation expense	<u>\$ 711,553</u>
 <u>Business-type activities:</u>	
Correctional facility	\$ 212,112
Total business-type activities depreciation expense	<u>\$ 212,112</u>

CHICKASAW COUNTY  
Notes to Financial Statements

(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, 2014, to January 1, 2015. 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, 2014:

<u>Classes of property</u>	<u>Amount</u>
Mobile Equipment	\$ 1,076,868
Less: Accumulated Depreciation	<u>(294,391)</u>
Leased property under capital lease	<u>\$ 782,477</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 165,757	27,325
2016	171,451	22,638
2017	161,005	17,830
2018	461,062	10,418
Total	<u>\$ 959,275</u>	<u>78,211</u>

CHICKASAW COUNTY  
Notes to Financial Statements

(9) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
Road Improvement Refunding Bonds, Series 2012	\$ 855,000	0.75/2.00%	6/01/19
General Obligation Refunding Bonds, Series 2008	<u>1,765,000</u>	3.99%	8/01/23
Total General Obligation Bonds	<u>\$ 2,620,000</u>		
<b>B. Capital Leases:</b>			
AS400 upgrade	\$ 39,728	2.20%	12/01/17
John Deere motor grader	171,282	3.95%	5/30/18
(2) John Deere motor graders	325,565	3.95%	5/31/18
(2) Mack dump trucks	259,790	2.12%	5/19/18
Kubota tractor	37,918	2.06%	6/09/17
Refinance of (2) Mack tractors	<u>124,992</u>	2.11%	6/30/17
Total Capital Leases	<u>\$ 959,275</u>		
<b>C. Other Loans:</b>			
Fire Truck - CAP Loan	\$ 90,901	2.00%	12/01/20
Negotiable Note - Series 2012	27,651	2.33%	4/20/17
Negotiable Note - Series 2012	8,583	2.33%	7/20/17
Three Rivers Lawsuit Note Payable	<u>300,000</u>	3.00%	7/01/14
Total Other Loans	<u>\$ 427,135</u>		
<b>Business-type Activities:</b>			
<b>A. Limited Obligation Bonds:</b>			
Urban renewal revenue bonds	\$ 9,660,000	2.50-5.50%	4/01/31
Total Limited Obligation Bonds	<u>\$ 9,660,000</u>		
<b>B. Other Loans:</b>			
Negotiable Note - Series 2010	\$ 37,260	3.23%	9/07/15
Negotiable Note - Series 2010	<u>211,280</u>	3.81%	11/23/15
Total Other Loans	<u>\$ 248,540</u>		

**Pledge of Future Revenues** – The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$9,660,000 in limited obligation urban renewal bonds issued in April 2009. 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 derived from any other government for housing and holding prisoners and are payable through April 1, 2031. 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 bonds is \$14,793,585.

CHICKASAW COUNTY  
Notes to Financial Statements

Principal and interest paid for the current year and total inmate housing net revenues were \$865,078 and \$4,133,963, 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
2015	\$ 332,000	87,524	83,851	11,516
2016	339,000	77,560	86,147	9,221
2017	350,000	67,318	83,376	6,841
2018	363,000	56,736	76,538	4,648
2019	375,000	46,814	79,147	2,471
2020-2024	861,000	87,540	18,076	227
Total Governmental Activities	\$ 2,620,000	423,492	427,135	34,924

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 385,000	483,515	140,925	9,253
2016	400,000	469,270	107,615	4,100
2017	415,000	453,270	-	-
2018	435,000	436,255	-	-
2019	455,000	417,550	-	-
2020-2024	2,615,000	1,736,625	-	-
2025-2029	3,350,000	1,003,450	-	-
2030-2034	1,605,000	133,650	-	-
Total Business-type Activities	\$ 9,660,000	5,133,585	248,540	13,353

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bond to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2014, the amount of outstanding debt was equal to 4% of the latest property assessments.

CHICKASAW COUNTY  
Notes to Financial Statements

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

<u>Governmental Activities:</u>	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount due Within one Year
Compensated absences	\$ 161,143		13,533	147,610	N/A
General obligation bonds	2,946,000		326,000	2,620,000	332,000
Add: Bond premium	17,733		2,955	14,778	N/A
Capital leases	782,429	449,116	272,270	959,275	165,757
Other loans	350,788	300,000	223,653	427,135	83,851
Total	<u>\$ 4,258,093</u>	<u>749,116</u>	<u>838,411</u>	<u>4,168,798</u>	<u>581,608</u>
 <b>Business-type Activities:</b>					
Limited obligation bonds	\$ 10,035,000		375,000	9,660,000	385,000
Less: Bond discounts	(250,363)		(14,307)	(236,056)	N/A
Other Loans	384,494		135,954	248,540	140,925
Total	<u>\$ 10,169,131</u>	<u>-</u>	<u>496,647</u>	<u>9,672,484</u>	<u>525,925</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.

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balance at September 30, 2014:

<u>Fund</u>	<u>Deficit Amount</u>
County Wide Road Maintenance Fund	\$ 48,941
Reappraisal Fund	20,727
E911 Fund	3,476
Solid Waste Fund	11,312

(11) Contingencies.

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

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

CHICKASAW COUNTY  
Notes to Financial Statements

(12) Joint Venture.

The county participates in the following joint venture:

Chickasaw County is a participant with Pontotoc and Calhoun Counties in the Dixie Regional Library System, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate libraries. The joint venture is governed by a board that is composed of five members appointed by the three Boards of Supervisors as follows: two of the counties at any time have two board appointed members, while the third county has one of the board members. The county with one member gets to fill the next vacant seat. No single county ever has a majority of the board members. By contractual agreement, the three counties contribute approximately 53% of the library's operating budget. Chickasaw County appropriated \$77,591 for fiscal year 2014. Complete financial statements for the Dixie Regional Library System can be obtained from Dixie Regional Library System, 111 North Main Street, Pontotoc, MS 38863-2103.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District provides services for the following counties: Calhoun, Chickasaw, Lafayette, Lee, Monroe, Pontotoc, and Union. The Chickasaw County Board of Supervisors appoints five of the forty members to the board. The county appropriated \$23,837 for fiscal year 2014.

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 \$29,380 for fiscal year 2014.

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 \$464,488 for maintenance and support of the college for fiscal year 2014.

(14) 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$646,345, \$590,584, and \$504,400, respectively, equal to the required contributions for each year.

CHICKASAW COUNTY  
Notes to Financial Statements

(15) 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.

(16) Subsequent Event.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Chickasaw County evaluated the activity of the County through September 15, 2015, and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements:

The Mississippi Department of Corrections announced its plans to phase out the current Joint State County Work Program starting August 8, 2015. With this change, the County will no longer be reimbursed \$20 per day per inmate for housing state inmates. This loss in revenue could be approximately \$292,000 to \$511,000 per year based on 40 to 70 inmates. The County has proposed to house the inmates at no charge and to allow them to work for surrounding municipalities at \$20 per day per inmate. Several municipalities have expressed their interest and the County is waiting for approval from MDOC. If MDOC grants its approval, the loss of revenue will decrease.

CHICKASAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

**CHICKASAW COUNTY**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 3,519,657	3,463,921	3,463,921	
Licenses, commissions and other revenue	381,400	386,915	386,915	
Fines and forfeitures	320,328	328,562	328,562	
Intergovernmental revenues	481,453	444,958	444,958	
Miscellaneous revenues	348,934	338,423	338,423	
Total Revenues	<u>5,051,772</u>	<u>4,962,779</u>	<u>4,962,779</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,082,748	2,748,917	2,748,917	
Public safety	1,431,621	1,410,501	1,410,501	
Health and welfare	197,641	186,160	186,160	
Conservation of natural resources	104,297	100,435	100,435	
Economic development and assistance	58,337	56,711	56,711	
Debt service:				
Principal	22,400	21,560	21,560	
Interest	0	740	740	
Total Expenditures	<u>4,897,044</u>	<u>4,525,024</u>	<u>4,525,024</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>154,728</u>	<u>437,755</u>	<u>437,755</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		300,000	300,000	
Compensation for loss of capital assets		9,144	9,144	
Transfers out		(648,776)	(648,776)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(339,632)</u>	<u>(339,632)</u>	<u>0</u>
Net Change in Fund Balance	154,728	98,123	98,123	
Fund Balances - Beginning	239,365	239,365	239,365	
Fund Balances - Ending	<u>\$ 394,093</u>	<u>337,488</u>	<u>337,488</u>	<u>0</u>

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

**CHICKASAW COUNTY**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County Wide Road Maintenance Fund**  
**For the Year Ended September 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 128,093	130,572	130,572	
Road and bridge privilege taxes	202,000	197,042	197,042	
Intergovernmental revenues	549,650	584,625	584,625	
Miscellaneous revenues	4,500	4,829	4,829	
Total Revenues	<u>884,243</u>	<u>917,068</u>	<u>917,068</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	889,472	1,122,008	1,122,008	
Debt service:				
Principal	150,625	373,626	373,626	
Interest	0	17,899	17,899	
Total Expenditures	<u>1,040,097</u>	<u>1,513,533</u>	<u>1,513,533</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(155,854)</u>	<u>(596,465)</u>	<u>(596,465)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		212,532	212,532	
Compensation for loss of capital assets		5,336	5,336	
Long-term capital debt issued		177,260	177,260	
Transfers in	155,854	225,000	225,000	
Total Other Financing Sources and Uses	<u>155,854</u>	<u>620,128</u>	<u>620,128</u>	<u>0</u>
Net Change in Fund Balance	0	23,663	23,663	
Fund Balances - Beginning	601,137	601,137	601,137	
Fund Balances - Ending	<u>\$ 601,137</u>	<u>624,800</u>	<u>624,800</u>	<u>0</u>

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

CHICKASAW COUNTY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2014

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 98,123	23,663
Increase (Decrease)		
Net adjustments for revenue accruals	(22,240)	(7,299)
Net adjustments for expenditure accruals	21,614	(13,175)
Other reconciling items:		
Transfer from General Fund to Countywide Road Maintenance Fund	(241,779)	241,779
Additional state aid revenue for payment of court judgment		195,215
Total expenses for payment of lawsuit		(436,994)
GAAP Basis	\$ (144,282)	3,189

CHICKASAW COUNTY

SUPPLEMENTAL INFORMATION

**CHICKASAW COUNTY**  
**Reconciliation of Operating Costs of Solid Waste**  
**For the Year Ended September 30, 2014**

Operating Expenditures, Cash Basis:

Salaries	\$ 131,140
Expendable Commodities:	
Gasoline and petroleum	50,166
Repair parts	19,365
Maintenance	18,434
Interest	<u>336</u>
 Solid Waste Cash Basis Operating Expenditures	 <u><u>219,441</u></u>

Full Cost Expenses:

Indirect administrative costs	4,339
Depreciation on equipment	975
Net effect of other accrued expenses	<u>(1,558)</u>
 Total Full Cost Expenses	 <u><u>3,756</u></u>
 Solid Waste Full Cost Operating Expenses	 <u><u>\$ 223,197</u></u>

CHICKASAW COUNTY

OTHER INFORMATION

CHICKASAW COUNTY  
 Schedule of Surety Bonds for County Officials  
 For the Year Ended September 30, 2014  
 UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Anderson McFarland	Supervisor - 1st District	Briarfield/FCCI	\$100,000
David Gene Walters	Supervisor - 2nd District	Briarfield/FCCI	\$100,000
Russell Brooks	Supervisor - 3rd District	Western Surety	\$100,000
Jerry Hall	Supervisor - 4th District	Western Surety	\$100,000
Russell King	Supervisor - 5th District	Briarfield/FCCI	\$100,000
Wanda Sweeney	County Administrator	Western Surety	\$100,000
Wanda Sweeney	Chancery Clerk	Western Surety	\$100,000
Tommie Morgan	Purchase Clerk	Western Surety	\$75,000
Janice Smith	Assistant Purchase Clerk	Briarfield/FCCI	\$50,000
Deloise Rhodes	Receiving Clerk	Briarfield/FCCI	\$75,000
Wanda Sweeney	Inventory Control Clerk	Briarfield/FCCI	\$75,000
Kenneth Funderburk	Road Manager	Western Surety	\$50,000
Billy Voyles	Constable - 1st District	Western Surety	\$50,000
Crossley Ford	Constable - 2nd District	Western Surety	\$50,000
Sandra Willis	Circuit Clerk (10/13 - 9/14)	Briarfield/FCCI	\$100,000
Cassandra Pullium	Interim Circuit Clerk (9/14)	Briarfield/FCCI	\$100,000
Jimmy Simmons	Sheriff	Briarfield/FCCI	\$100,000
Garry Turner	Justice Court Judge - 1st District	Western Surety	\$50,000
Judy Posey	Justice Court Judge - 2nd District	Western Surety	\$50,000
Sue Ard	Tax Assessor-Collector	Western Surety	\$100,000

CHICKASAW COUNTY

SPECIAL REPORTS



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

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

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

Members of the Board of Supervisors  
Chickasaw County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 15, 2015.

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

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 14-01, 14-02, 14-03, 14-04, and 14-05 to be material weaknesses.

**Compliance and Other Matters**

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

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

**Chickasaw County's Responses to Findings**

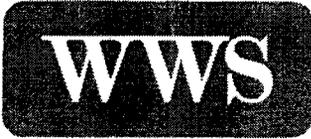
Chickasaw County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Chickasaw County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion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

**Purpose of the Report**

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

Watkins, Ward and Stafford, PLLC  
Okolona, Mississippi  
September 15, 2015

*Watkins Ward and Stafford, PLLC*



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

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

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

Members of the Board of Supervisors  
 Chickasaw County, Mississippi

We have examined Chickasaw County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Chickasaw County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Chickasaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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

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

Watkins, Ward and Stafford, PLLC  
 Okolona, Mississippi  
 September 15, 2015

*Watkins Ward and Stafford, PLLC*

CHICKASAW COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2014

Schedule 1

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

CHICKASAW COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2014

Schedule 2

Our test results did not identify any emergency purchases.

CHICKASAW COUNTY  
Schedule of Purchases Made Noncompetively From a Sole Source  
For the Year Ended September 30, 2014

Schedule 3

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



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
 Chickasaw County, Mississippi

In planning and performing our audit of the financial statements of Chickasaw County, Mississippi for the year ended September 30, 2014, we considered the Chickasaw County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Chickasaw County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 15, 2015, on the financial statements of Chickasaw County, Mississippi.

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

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

Chancery Clerk

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

Finding

The Chancery Clerk is required to file the Public Depositor Annual Report for the county with the Office of the State Treasurer within 30 days of fiscal year end, per Section 27-105-5(6)(b). Therefore, the required filing date for the county would be October 30, 2014. The report was filed properly, but was filed late on January 9, 2015.

Recommendation

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

Response

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

Circuit Clerk

2. The Circuit Clerk's annual report should be filed in a timely manner

Finding

The Circuit Clerk of the county is required to file an annual report with the Office of the State Auditor by April 15 of the following calendar year, per Section 9-1-45(1). Therefore, the required filing date for the Circuit Clerk would have been April 15, 2015. The Circuit Clerk from October 1, 2013 until September 10, 2014 was Sandra Willis and she was deceased by the end of the fiscal year. The estate of Sandra Willis did not file the appropriate annual report by the date required by state statute.

Recommendation

The estate of the deceased Circuit Clerk should prepare and file the annual report with the Office of the State Auditor even though the required deadline has passed.

Response

The estate of the deceased Circuit Clerk has now filed the annual report with the Office of the State Auditor.

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

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

Watkins, Ward and Stafford, PLLC  
Okolona, Mississippi  
September 15, 2015

*Watkins Ward and Stafford, PLLC*

CHICKASAW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CHICKASAW COUNTY  
Schedule of Findings and Responses  
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

**Financial Statements:**

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

CHICKASAW COUNTY  
Schedule of Findings and Responses  
For the Year Ended September 30, 2014

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.

14-01 Finding

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

Recommendation

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

Response

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

Material Weakness

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

14-02 Finding

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

CHICKASAW COUNTY  
Schedule of Findings and Responses  
For the Year Ended September 30, 2014

Recommendation

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

Response

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

Material Weakness

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

14-03 Finding

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

Recommendation

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

Response

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

Tax Assessor/Collector

Material Weakness

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

14-04 Finding

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

CHICKASAW COUNTY  
Schedule of Findings and Responses  
For the Year Ended September 30, 2014

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

Recommendation

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

Response

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

Justice Court Clerk

Material Weakness

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

14-05 Finding

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

Recommendation

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

Response

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