

CHICKASAW COUNTY, MISSISSIPPI

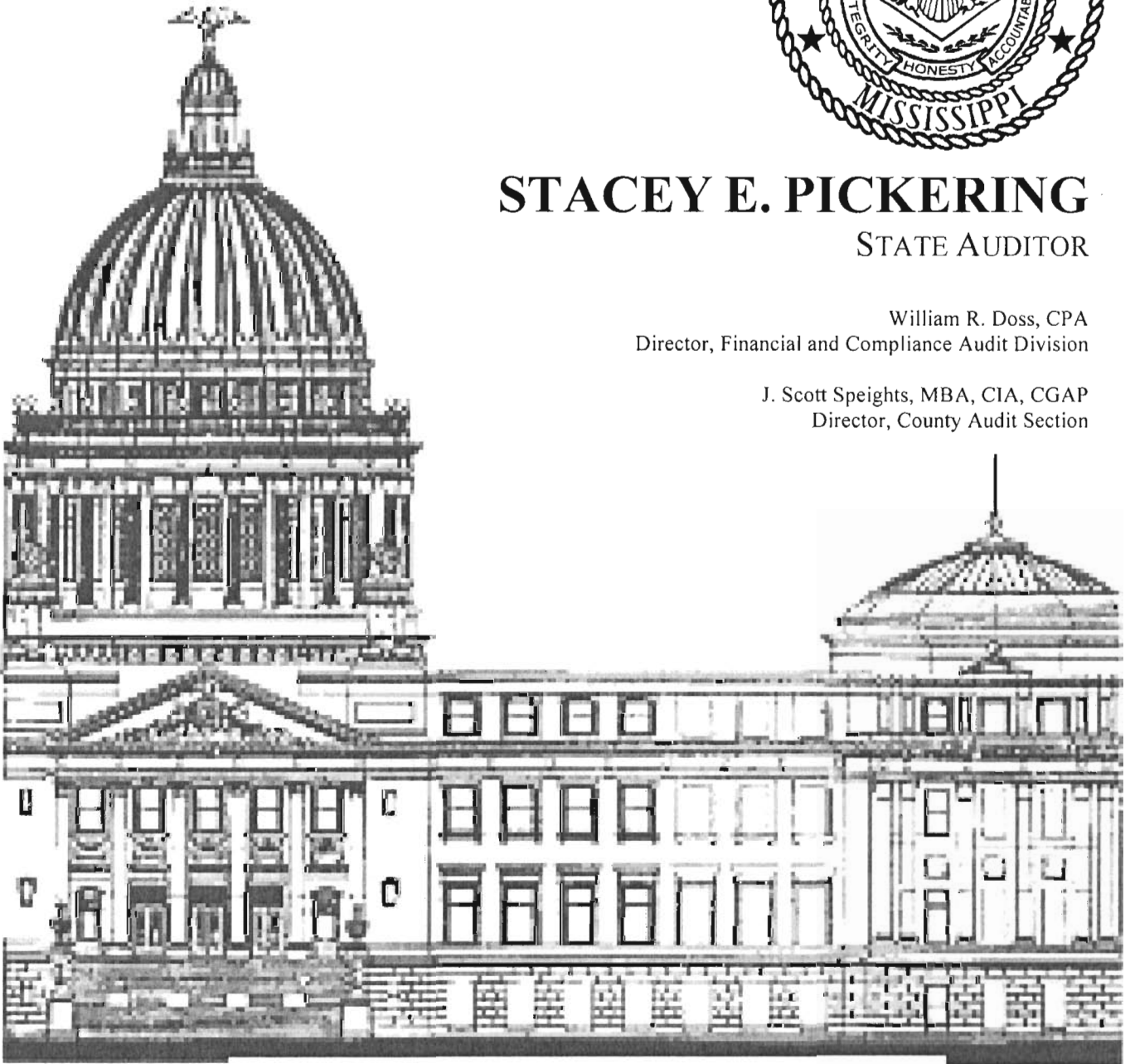
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2007



STACEY E. PICKERING STATE AUDITOR

William R. Doss, CPA
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Director, County Audit Section



A Report from the County Audit Section

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CHICKASAW COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

FINANCIAL STATEMENTS 5

 Statement of Net Assets 7

 Statement of Activities 8

 Balance Sheet - Governmental Funds 9

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 10

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 11

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 12

 Statement of Fiduciary Assets and Liabilities 13

 Notes to Financial Statements 14

REQUIRED SUPPLEMENTARY INFORMATION 29

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)

 General Fund 31

 Countywide Road Maintenance Fund 32

 Notes to the Required Supplementary Information 33

SUPPLEMENTAL INFORMATION 35

 Reconciliation of Operating Costs of Solid Waste 37

SPECIAL REPORTS 39

 Independent Auditor's Report on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of the Financial Statements
 Performed in Accordance with *Government Auditing Standards* 41

 Independent Auditor's Report on Central Purchasing System, Inventory Control System
 and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) 43

 Limited Internal Control and Compliance Review Management Report 49

SCHEDULE OF FINDINGS 53

CHICKASAW COUNTY

FINANCIAL SECTION

CHICKASAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Chickasaw County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Chickasaw County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of September 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008, 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* and should be considered in assessing the results of our audit.

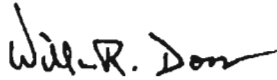
Chickasaw County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



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

November 3, 2008

CHICKASAW COUNTY

FINANCIAL STATEMENTS

CHICKASAW COUNTY

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CHICKASAW COUNTY
Statement of Net Assets
September 30, 2007

Exhibit I

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 1,768,051
Property tax receivable	3,063,750
Fines receivable (net of allowance for uncollectibles of \$1,117,117)	401,752
Capital leases receivable	151,200
Intergovernmental receivables	132,904
Other receivables	177,001
Deferred charges - bond issuance costs	84,368
Prepaid insurance	32,923
Capital assets:	
Land and construction in progress	927,945
Other capital assets, net	9,357,352
Total Assets	<u>16,097,246</u>
LIABILITIES	
Claims payable	767,411
Amounts held in custody for others	69,839
Intergovernmental payables	117,385
Accrued interest payable	79,547
Deferred revenue	3,084,950
Long-term liabilities	
Due within one year:	
Capital debt	540,279
Due in more than one year:	
Capital debt	4,469,108
Non-capital debt	134,430
Total Liabilities	<u>9,262,949</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,275,910
Restricted:	
Expendable:	
General government	131,727
Debt service	32,409
Public safety	95,308
Public works	42,281
Culture and recreation	19,456
Economic development	130,000
Capital projects	656
Unrestricted	1,106,550
Total Net Assets	<u>\$ 6,834,297</u>

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

CHICKASAW COUNTY
Statement of Activities
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,289,240	1,062,229			(2,227,011)
Public safety	1,434,117	509,707	102,376	44,990	(777,044)
Public works	1,984,588	2,669	824,841	132,899	(1,024,179)
Health and welfare	163,138		37,198		(125,940)
Culture and recreation	20,902				(20,902)
Conservation of natural resources	83,487				(83,487)
Economic development and assistance	48,587				(48,587)
Interest on long-term debt	269,881				(269,881)
Total Governmental Activities	<u>\$ 7,293,940</u>	<u>1,574,605</u>	<u>964,415</u>	<u>177,889</u>	<u>(4,577,031)</u>
General revenues:					
Property taxes				\$ 3,869,482	
Road & bridge privilege taxes				219,797	
Grants and contributions not restricted to specific programs				389,847	
Unrestricted interest income				121,154	
Miscellaneous				87,300	
Total General Revenues				<u>4,687,580</u>	
Changes in Net Assets				<u>110,549</u>	
Net Assets - Beginning				8,922,192	
Prior period adjustments				(2,198,444)	
Net Assets - Beginning, as restated				<u>6,723,748</u>	
Net Assets - Ending				<u>\$ 6,834,297</u>	

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

CHICKASAW COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2007

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Jail Construction Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 1,203,939	5,660	15,190	543,262	1,768,051
Property tax receivable	2,386,750	87,000		590,000	3,063,750
Fines receivable (net of allowance for uncollectibles of \$1,117,117)	401,752				401,752
Capital lease receivable				151,200	151,200
Intergovernmental receivables	132,904				132,904
Other receivables	39,677	82,961		54,363	177,001
Due from other funds		16,459		17,893	34,352
Total Assets	\$ 4,165,022	192,080	15,190	1,356,718	5,729,010
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 458,893	63,337	14,534	230,647	767,411
Amounts held in custody for others	69,839				69,839
Intergovernmental payables	117,385				117,385
Due to other funds	34,352				34,352
Deferred revenue	2,788,502	87,000		741,200	3,616,702
Total Liabilities	3,468,971	150,337	14,534	971,847	4,605,689
Fund balances:					
Reserved for:					
Debt service				149,794	149,794
Unreserved - undesignated, reported in:					
General Fund	696,051				696,051
Special Revenue Funds		41,743		235,077	276,820
Capital Projects Funds			656		656
Total Fund Balances	696,051	41,743	656	384,871	1,123,321
Total Liabilities and Fund Balances	\$ 4,165,022	192,080	15,190	1,356,718	5,729,010

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

CHICKASAW COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2007

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,123,321
Amounts reported for governmental activities in the Statement of Net Assets 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 \$5,753,231.	10,285,297
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	401,752
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,143,817)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(79,547)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	130,000
Amortization of issuance cost on refunding bond issue.	84,368
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	<u>32,923</u>
Total Net Assets - Governmental Activities	<u>\$ 6,834,297</u>

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

CHICKASAW COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Jail Construction Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 2,794,017	130,622		944,843	3,869,482
Road and bridge privilege taxes		219,797			219,797
Licenses, commissions and other revenue	611,986			139,864	751,850
Fines and forfeitures	336,113				336,113
Intergovernmental revenues	600,076	702,796		229,279	1,532,151
Charges for services	315,129			171,513	486,642
Interest income	42,408		38,813	39,933	121,154
Miscellaneous revenues	32,097	27,510		4,475	64,082
Total Revenues	<u>4,731,826</u>	<u>1,080,725</u>	<u>38,813</u>	<u>1,529,907</u>	<u>7,381,271</u>
EXPENDITURES					
Current:					
General government	2,967,732			301,252	3,268,984
Public safety	1,449,453		2,091,880	386,446	3,927,779
Public works		1,086,509		1,092,211	2,178,720
Health and welfare	163,138				163,138
Culture and recreation				20,902	20,902
Conservation of natural resources	83,487				83,487
Economic development and assistance	48,587				48,587
Debt service:					
Principal	147,113	96,093		245,227	488,433
Interest	121,842	9,741		101,076	232,659
Total Expenditures	<u>4,981,352</u>	<u>1,192,343</u>	<u>2,091,880</u>	<u>2,147,114</u>	<u>10,412,689</u>
Excess of Revenues over (under) Expenditures	<u>(249,526)</u>	<u>(111,618)</u>	<u>(2,053,067)</u>	<u>(617,207)</u>	<u>(3,031,418)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	2,621	97,699			100,320
Transfers in		77,000		44,514	121,514
Transfers out	(121,514)				(121,514)
Lease principal payments				35,000	35,000
Total Other Financing Sources and Uses	<u>(118,893)</u>	<u>174,699</u>	<u>0</u>	<u>79,514</u>	<u>135,320</u>
Net Changes in Fund Balances	(368,419)	63,081	(2,053,067)	(537,693)	(2,896,098)
Fund Balances - Beginning	<u>1,064,470</u>	<u>(21,338)</u>	<u>2,053,723</u>	<u>922,564</u>	<u>4,019,419</u>
Fund Balances - Ending	<u>\$ 696,051</u>	<u>41,743</u>	<u>656</u>	<u>384,871</u>	<u>1,123,321</u>

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

CHICKASAW COUNTY
 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, 2007

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (2,896,098)
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 assets differs from the change in fund balances by the amount that capital outlays of \$3,226,388 exceeded depreciation of \$532,034 in the current period.	2,694,354
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$4,828 and the proceeds from the sale of \$100,320 in the current period.	(95,492)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments.	488,433
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 assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences.	(34,318)
The amount of increase in accrued interest payable.	(37,222)
The amortization of issuance cost of bond.	(7,031)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(35,000)
Under the modified accrual basis of accounting used in the Governmental Funds, prepaid items are reported as expenditures. However in the Statement of Activities, only the portion of expense related to the current period are reported. Thus the change in net assets differs from the change in fund balances by the amount of the increase in prepaid insurance.	<u>32,923</u>
Change in Net Assets of Governmental Activities	<u>\$ 110,549</u>

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

CHICKASAW COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 86,991
Total Assets	<u>\$ 86,991</u>
LIABILITIES	
Intergovernmental payables	\$ 86,991
Total Liabilities	<u>\$ 86,991</u>

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

CHICKASAW COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2007

(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 of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Shearer-Richardson Memorial Nursing Home
- Thorn Fire Department
- Southeast Chickasaw Fire Department

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 Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

CHICKASAW COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2007

The Statement of Net Assets presents the financial condition of the governmental 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. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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 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. Funds are organized into governmental, and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, 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.

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 all activities of the general government for which a separate fund has not been established.

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

Jail Construction Fund - This fund is used to account for financial resources to be used for the construction of the county jail.

CHICKASAW COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2007

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

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 2005 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. However, the county did not invest in any governmental securities during the fiscal year.

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 Assets.

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

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. 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 governmental 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.

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.

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. 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
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.

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

J. Long-term Liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

L. Property Tax Revenues.

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

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. 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.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct capital assets	\$ (1,956,309)
To correct beginning fines receivable	(407,135)
To correct capital lease receivable	<u>165,000</u>
Total prior period adjustments	<u>\$ (2,198,444)</u>

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$1,855,042, and the bank balance was \$1,895,323. 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 Depository Insurance Corporation.

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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 16,459
Other Governmental Funds	General Fund	<u>17,893</u>
Total		<u>\$ 34,352</u>

The receivables represent the tax revenue collected but not settled until October, 2007. 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 Fund	\$ 77,000
Other Governmental Funds	General Fund	<u>44,514</u>
Total		<u>\$ 121,514</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 67,475
Reimbursement for housing state prisoners	65,050
Chancery Clerk fees	<u>379</u>
Total Governmental Activities	<u>\$ 132,904</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2007</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 395,098			1,000	396,098
Construction in progress	<u>819,322</u>	<u>2,567,772</u>		<u>(2,855,247)</u>	<u>531,847</u>
Total non-depreciable capital assets	<u>1,214,420</u>	<u>2,567,772</u>	<u>0</u>	<u>(2,854,247)</u>	<u>927,945</u>
<u>Depreciable capital assets:</u>					
Infrastructure	6,558,702	519,181		(2,026,723)	5,051,160
Buildings	2,578,091				2,578,091
Mobile equipment	3,594,842	133,480	263,916		3,464,406
Furniture and equipment	256,574	5,955			262,529
Leased property under capital leases	<u>1,126,324</u>		<u>84,270</u>	<u>2,712,343</u>	<u>3,754,397</u>
Total depreciable capital assets	<u>14,114,533</u>	<u>658,616</u>	<u>348,186</u>	<u>685,620</u>	<u>15,110,583</u>

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments	Balance Sept. 30, 2007
<u>Less accumulated depreciation for:</u>					
Infrastructure	436,247	219,135		(212,318)	443,064
Buildings	1,763,579	22,076			1,785,655
Mobile equipment	2,970,796	108,078	237,525		2,841,349
Furniture and equipment	215,396	14,330			229,726
Leased property under capital leases	300,191	168,415	15,169		453,437
Total accumulated depreciation	<u>5,686,209</u>	<u>532,034</u>	<u>252,694</u>	<u>(212,318)</u>	<u>5,753,231</u>
 Total depreciable capital assets, net	 <u>8,428,324</u>	 <u>126,582</u>	 <u>95,492</u>	 <u>897,938</u>	 <u>9,357,352</u>
 Governmental activities capital assets, net	 <u>\$ 9,642,744</u>	 <u>2,694,354</u>	 <u>95,492</u>	 <u>(1,956,309)</u>	 <u>10,285,297</u>

Adjustments were made to correct infrastructure and to reclassify construction in progress to leased property under capital leases and infrastructure.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 44,813
Public safety	170,845
Public works	316,376
 Total governmental activities depreciation expense	 \$ <u>532,034</u>

Commitments with respect to unfinished capital projects at September 30, 2007, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
County Roads 21 & 23	\$ 49,353	August, 2008
County Road 405	9,737	May, 2008

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

(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, 2007, to January 1, 2008. 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 Lessor:

The county leases the following property with varying terms and options as of September 30, 2007:

<u>Classes of Property</u>	<u>Amount</u>
Industrial Facilities	\$ <u>500,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2007, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 40,000	10,400
2009	45,000	7,200
2010	<u>45,000</u>	<u>3,600</u>
Total	\$ <u>130,000</u>	<u>21,200</u>

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Buildings	\$ 2,712,343
Mobile equipment	973,154
Other furniture and equipment	<u>68,900</u>
Total	3,754,397
Less: Accumulated depreciation	<u>453,437</u>
Leased Property Under Capital Leases	<u>\$ 3,300,960</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 375,279	143,045
2009	284,909	122,756
2010	208,849	111,589
2011	173,750	95,864
2012 - 2016	<u>2,011,600</u>	<u>565,026</u>
Total	<u>\$ 3,054,387</u>	<u>1,038,280</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Rose Hill industrial	\$ 130,000	7.60-9.25%	09/01/10
Road improvement & refunding	<u>1,825,000</u>	4.00-4.25%	06/01/19
Total General Obligation Bonds	<u>\$ 1,955,000</u>		

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Computer hardware & software	\$ 26,904	3.29%	03/25/09
2 Fire trucks	103,007	3.03%	04/12/09
3 New Holland tractors	5,222	3.79%	01/15/08
Tractor, boom mower	7,473	3.11%	01/06/08
Road equipment	166,736	3.24%	05/25/10
4780 HD asphalt zipper	68,175	4.85%	07/21/11
2007 Mack truck	84,270	4.50%	10/07/07
Jail construction	<u>2,592,600</u>	4.72%	08/01/21
 Total Capital Leases	 <u>\$ 3,054,387</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2008	\$ 165,000	87,877
2009	175,000	79,365
2010	180,000	70,240
2011-2015	<u>1,435,000</u>	<u>317,730</u>
 Total	 <u>\$ 1,955,000</u>	 <u>555,212</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to 2.10% of the latest property assessments.

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 100,112	34,318			134,430	
General obligation bonds	2,110,000		155,000		1,955,000	165,000
Capital leases	3,387,820		333,433		3,054,387	375,279
Total	\$ 5,597,932	34,318	488,433	0	5,143,817	540,279

(10) 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.

(11) 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 Board 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 libraries operating budget. Chickasaw County appropriated \$69,000 for fiscal year 2007. 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.

(12) 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 40 members to the board. The county appropriated \$23,837 for fiscal year 2007.

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 2007.

CHICKASAW COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2007

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 30 members of the college board of trustees. The county appropriated \$483,215 for maintenance and support of the college for fiscal year 2007.

(13) 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. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 was 11.85% 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, 2007, 2006 and 2005 were \$328,460, \$304,983 and \$271,696, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2007, Chickasaw County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
06/02/2008	3.14%	\$ 234,264	Lease purchase	Ad valorem taxes
08/08/2008	3.99%	2,640,000	G. O. bonds	Ad valorem taxes

CHICKASAW COUNTY

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CHICKASAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CHICKASAW COUNTY

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CHICKASAW COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,338,485	3,680,414	2,794,967	(885,447)
Road and bridge privilege taxes	36,000			
Licenses, commissions and other revenue	397,350	602,780	427,574	(175,206)
Fines and forfeitures	308,500	354,175	531,817	177,642
Intergovernmental revenues	456,000	629,199	626,763	(2,436)
Charges for services	300,000	307,899	307,899	
Interest income	28,000	42,660	42,657	(3)
Miscellaneous revenues	17,300	34,722	34,672	(50)
Total Revenues	<u>4,881,635</u>	<u>5,651,849</u>	<u>4,766,349</u>	<u>(885,500)</u>
EXPENDITURES				
Current:				
General government	2,791,000	2,557,420	2,819,998	(262,578)
Public safety	1,363,000	1,290,826	1,381,445	(90,619)
Health and welfare	185,610	171,462	171,462	
Conservation of natural resources	87,421	86,335	86,335	
Economic development and assistance	60,837	52,587	52,587	
Debt service:				
Principal		250,549	250,549	
Total Expenditures	<u>4,487,868</u>	<u>4,409,179</u>	<u>4,762,376</u>	<u>(353,197)</u>
Excess of Revenues over (under) Expenditures	<u>393,767</u>	<u>1,242,670</u>	<u>3,973</u>	<u>(1,238,697)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		112,350	112,350	
Transfers out		233,850	233,850	
Other financing sources			1,635	1,635
Other financing uses	75,000		14	14
Total Other Financing Sources and Uses	<u>75,000</u>	<u>346,200</u>	<u>347,849</u>	<u>1,649</u>
Net Change in Fund Balance	468,767	1,588,870	351,822	(1,237,048)
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>1,212,337</u>	<u>1,212,337</u>
Fund Balances - Ending	<u>\$ 468,767</u>	<u>1,588,870</u>	<u>1,564,159</u>	<u>(24,711)</u>

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

CHICKASAW COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 122,000	120,000	131,151	11,151
Road and bridge privilege taxes	210,000	210,000	205,642	(4,358)
Intergovernmental revenues	635,550	572,545	702,794	130,249
Miscellaneous revenues	5,000	5,000	38,022	33,022
Total Revenues	<u>972,550</u>	<u>907,545</u>	<u>1,077,609</u>	<u>170,064</u>
EXPENDITURES				
Current:				
Public works	800,000	1,062,838	1,062,838	
Debt service:				
Principal	182,000	96,093	96,093	
Total Expenditures	<u>982,000</u>	<u>1,158,931</u>	<u>1,158,931</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(9,450)</u>	<u>(251,386)</u>	<u>(81,322)</u>	<u>170,064</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets			4,227	4,227
Transfers in	10,000		77,000	77,000
Other financing sources	85,000	85,000		(85,000)
Total Other Financing Sources and Uses	<u>95,000</u>	<u>85,000</u>	<u>81,227</u>	<u>(3,773)</u>
Net Change in Fund Balance	85,550	(166,386)	(95)	166,291
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>(26,509)</u>	<u>(26,509)</u>
Fund Balances - Ending	<u>\$ 85,550</u>	<u>(166,386)</u>	<u>(26,604)</u>	<u>139,782</u>

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

CHICKASAW COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2007

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:

	<u>Governmental Fund Types</u>	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 351,822	(95)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,695,824)	63,588
Net adjustment for expenditure accruals other uses for nonbudgeted funds	<u>975,583</u>	<u>(412)</u>
GAAP Basis	<u>\$ (368,419)</u>	<u>63,081</u>

CHICKASAW COUNTY

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CHICKASAW COUNTY

SUPPLEMENTAL INFORMATION

CHICKASAW COUNTY

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CHICKASAW COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2007

Operating Expenditures, Cash Basis:

Salaries	\$	119,865
Expendable Commodities:		
Gasoline and petroleum products		34,793
Repair parts		15,956
Maintenance		13,042
Supplies		7,469
Solid Waste Cash Basis Operating Expenditures		<u>191,125</u>

Full Cost Expenses:

Interest expense		228
Depreciation on equipment		12,433
Net effect of other accrued expenses		14,098
		<u>26,759</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>217,884</u></u>
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CHICKASAW COUNTY

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CHICKASAW COUNTY

SPECIAL REPORTS

CHICKASAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Chickasaw County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated November 3, 2008. 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 reporting entity that include the financial data for its component units. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chickasaw County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chickasaw County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1, 07-2, 07-4 and 07-5 to be material weaknesses.

Compliance and Other Matters

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

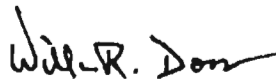
However, we noted certain matters that we reported to the management of Chickasaw County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated November 3, 2008, included within this document.

Chickasaw County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit Chickasaw County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



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

November 3, 2008



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Chickasaw County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Chickasaw County, Mississippi, as of and for the year ended September 30, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Chickasaw County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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 evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. There were multiple roads included in capital assets which were considered maintenance, but had no documentation for the value recorded.

Recommendation

The Inventory Control Clerk should ensure that a system is in place which maintains asset values.

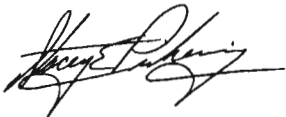
Inventory Control Clerk's Response

As Inventory Control Clerk since January 1, 2008, I will ensure a system in which asset values are maintained.

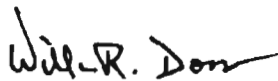
In our opinion, except for the noncompliance referred to in the preceding paragraph, Chickasaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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.



STACEY E. PICKERING
State Auditor



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

November 3, 2008

CHICKASAW COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

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, 2007

Schedule 2

Our test results did not identify any emergency purchases.

CHICKASAW COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
01/17/07	Intrusion Detection System	\$ 5,979	Logicube

CHICKASAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Chickasaw County, Mississippi

In planning and performing our audit of the financial statements of Chickasaw County, Mississippi for the year ended September 30, 2007, we considered 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 November 3, 2008, on the financial statements of Chickasaw County, Mississippi.

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

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

Board of Supervisors.

1. Finding

Section 65-7-117, Miss. Code Ann. (1972), states each member of the Board of Supervisors shall inspect every road and bridge in the county under the jurisdiction of the county not less than once each fiscal year. Each member shall file with the Clerk of the Board a report, under oath, of the condition of the roads and bridges inspected by him with recommendations by him for a four-year plan for construction and major maintenance of such roads and bridges. Based upon such reports, the Board of Supervisors shall, on or before February 1 of each year, adopt and spread upon its minutes a four-year plan for the construction and maintenance of county roads and bridges. As reported in the prior year's audit report, a four-year road plan was not adopted.

Recommendation

The Board of Supervisors should adopt and spread upon the minutes a four-year road plan.

Board of Supervisors' Response

The Board will adopt and spread upon the minutes a four-year road plan.

Chancery Clerk.

2. Finding

Section 27-105-5(6)(b), Miss. Code Ann. (1972), states that no later than 30 days following the fiscal year, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year-end. As reported in the prior year's audit report, the Chancery Clerk did not send the required annual report of its deposit accounts by bank to the State Treasurer's Office by October 31st, nor is the county reconciling the State Treasurer Collateral Sufficiency reports to the county's cash balances. As a result, the collateral reserved by the State Treasurer may not be sufficient for Chickasaw County's cash balances.

Recommendation

The Chancery Clerk should send an annual report of its deposit account to the State Treasurer's Office no later than October 31st and reconcile the State Treasurer Collateral Sufficiency reports to the county's cash balances.

Chancery Clerk's Response

I will send the annual report to the State Treasurer.

Purchase Clerk.

3. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires Purchase Clerks to execute a bond for \$75,000. In addition, Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law be secured every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Purchase Clerk had a bond that was written as an "indefinite" time period of employment rather than the term. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

A new bond should be secured for the duration of the current term for the Purchase Clerk.

Purchase Clerk's Response

I will comply.

Justice Court Clerk and Deputy Clerks.

4. Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires that every person appointed as Clerk or Deputy Clerk of the Justice Court to execute a bond for \$50,000. In addition, Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law be secured every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Justice Court Clerk and Deputy Clerks had bonds that were written as an “indefinite” time period of employment rather than the term. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

New bonds should be secured for the duration of the current term for the Justice Court Clerk and the Deputy Clerks.

Justice Court Clerk’s Response

The Justice Court will comply with Section 9-11-29, Miss. Code Ann. (1972), and our bonds will run concurrent with each term of office, eliminating an indefinite period of time.

Sheriff.

5. Finding

Section 45-5-9, Miss. Code Ann. (1972), requires Sheriff’s deputies to execute a bond for \$25,000. In addition, Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law be secured every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The deputies had bonds that were written as an “indefinite” time period of employment rather than the term. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

New bonds should be secured for the duration of the current term for the Sheriff’s deputies.

Sheriff’s Response

This has been corrected. Insurance companies were contacted and renewed bonds have a definite beginning and ending date.

6. Finding

Section 19-25-74, Miss. Code Ann. (1972), requires the Sheriff to submit a meal log to the Board of Supervisors documenting all meals served to prisoners on a monthly basis. The number of meals per invoices in the Sheriff’s Office was less than the number of prisoners recorded in the daily log of meals. Failure to reconcile meals ordered and received with the meal log could result in the county paying for meals that were not provided to prisoners.

Recommendation

The Sheriff should ensure that the number of meals ordered at the jail is the same as is recorded in the daily log of meals.

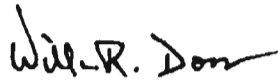
Sheriff's Response

This has been corrected. Meal logs are on computer now and each shift marks the correct number of meals when ordering. At the end of each billing cycle, the tickets and logs are reconciled.

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



STACEY E. PICKERING
State Auditor



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

November 3, 2008

CHICKASAW COUNTY

SCHEDULE OF FINDINGS

CHICKASAW COUNTY

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CHICKASAW COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Countywide Road Maintenance Fund | Unqualified |
| | Jail Construction Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

07-1. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements, the auditor was relied on to perform these tasks. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The county will establish adequate controls and procedures to ensure transactions are in accordance with accepted accounting principles.

CHICKASAW COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Significant Deficiency - Material Weakness

07-2. Finding

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. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

The Board will provide financial statements for component units.

Justice Court Clerk, Districts 1 and 2.

Significant Deficiency

07-3. Finding

An effective system of internal control over collections in the Justice Court Clerk's Office should include an adequate separation of duties. Cash collection, cash disbursement and reconciliation functions are not adequately separated for effective internal control. The Justice Court Clerks and deputy Justice Court Clerks all receipt funds, prepare deposits, calculate monthly settlements, post cash journals, reconcile bank statements and disburse funds. Failure to have an adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerks' should ensure that there is an adequate separation of duties between the collecting, recording, disbursing and reconciling functions.

Justice Court Clerk, District 1's Response

In the Justice Court Office District One, both the clerk and the deputy clerk receipt money and prepare daily deposits. The deputy clerk does not calculate monthly settlements or reconcile bank statements. The only checks written by the deputy clerk in District One are for out of county process when the need arises on civil cases. The posting to cash journals is done on a daily basis to the computer by the clerk or deputy clerk who prepares the deposit.

CHICKASAW COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Justice Court Clerk, District 2's Response

I will do my best to comply with these rules set forth in the above paragraph. With a small staff of two people, it is almost impossible to let one person do all the collecting. In District Two, both the clerk and deputy clerk receipt money and prepare daily deposits. We each check each other's deposit sheets and money for deposit. The clerk writes the checks to the county each month and reconciles the bank statements. Sometimes the deputy clerk writes a check when the clerk is out and one must be issued out of county for process service. Most of the daily postings to cash journal is done by the clerk.

Justice Court Clerk, District 1.

Significant Deficiency - Material Weakness

07-4. Finding

An effective system of internal control in the Justice Court Clerk's Office should include the use of prenumbered receipts or computer generated receipts with controls to prevent changes to computer generated receipt numbers for all collections and procedures and to account for the sequence of receipt numbers and the proper reconciliation of the bank statement to the cash journals. We noted numerous instances of skips in the sequence of receipt numbers. Further examination through computer files revealed that these receipt numbers were dated at various dates from 1992 to 1995. No adequate explanation has been provided for these discrepancies. We also noted that the September 30, 2007 bank statement was not properly reconciled to the cash journals. Failure to properly reconcile bank statements and implement adequate controls over accounting for receipt numbers could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should ensure that the bank statement is properly reconciled to the cash journals each month. The Justice Court Clerk should also ensure that adequate controls are implemented to ensure that all receipts are accounted for through the use of prenumbered receipts or a computer generated numbering system that cannot be changed.

Justice Court Clerk, District 1's Response

In the Justice Court Office at Houston, MS, we do have computer generated receipts that are numbered by the computer program. We cannot change receipt numbers. If a receipt is voided, an explanation must be given on the receipt. If a receipt number is skipped, it means this receipt has been used at another point and time and can be found in the system by using file inquiry in the receipt file. Whatever problems there are with our receipt system is an error with the program with Delta Computer Systems.

I reconcile the bank statement each month to the computer bank reconciliation and also with the checkbook. When the county year ends on September 30th and the rollover is done by Delta Computer Systems, the balances are carried forward by the Delta Computer personnel. If the balances are not carried forward correctly, I cannot balance my checkbook with the computer balance or the bank statement. I notify Delta when this occurs and Delta Computer Systems corrects the error. All funds are accounted for.

Auditor's Note:

Delta Computer Systems had no record of this problem occurring.

CHICKASAW COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

07-5. Finding

An effective system of internal control over the inventory system should include the maintenance of accurate records. There were multiple roads and bridges with improper capitalized amounts. As a result, large adjustments were necessary to correct the balance of the county's records. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement procedures necessary to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Inventory Control Clerk's Response

As Inventory Control Clerk, since January 1, 2008, I will ensure a system in which asset values are maintained.