

CHOCTAW COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2008

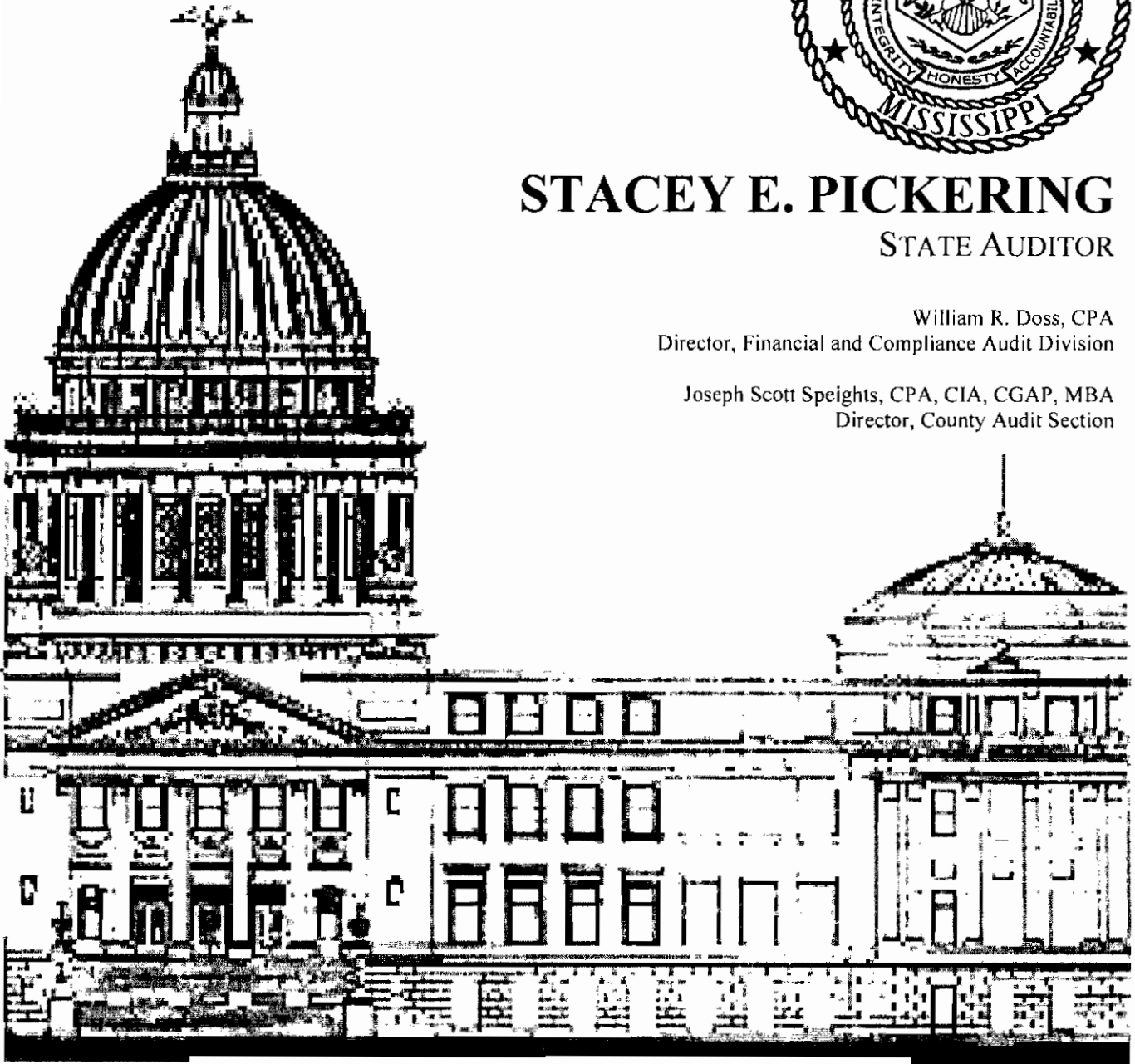


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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CHOCTAW COUNTY

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CHOCTAW COUNTY

FINANCIAL SECTION

CHOCTAW 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
Choctaw County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of and for the year ended September 30, 2008, 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 unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit 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 unit. The county has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units would have been presented as \$1,897,866, \$8,255, \$1,889,611, \$417,435 and \$338,148.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously 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 unit of Choctaw County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of September 30, 2008, 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.

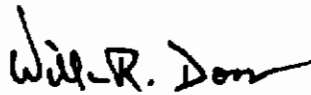
In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010, on our consideration of Choctaw County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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.

Choctaw 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.



STACEY E. PICKERING
State Auditor



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

June 24, 2010

CHOCTAW COUNTY

FINANCIAL STATEMENTS

CHOCTAW COUNTY

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CHOCTAW COUNTY
Statement of Net Assets
September 30, 2008

Exhibit I

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 4,663,821
Accrued interest receivable	8,695
Property tax receivable	1,278,160
Accounts receivable (net of allowance for uncollectibles of \$322,415)	31,354
Fines receivable (net of allowance for uncollectibles of \$318,118)	84,959
Loans receivable	390,810
Intergovernmental receivables	334,637
Other receivables	11,699
Capital assets:	
Land and construction in progress	1,208,830
Other capital assets, net	30,942,962
Total Assets	<u>38,955,927</u>
LIABILITIES	
Claims payable	980,137
Intergovernmental payables	55,290
Deferred revenue	1,278,160
Unearned revenue	19,683
Other payables	9,537
Long-term liabilities	
Due within one year:	
Capital debt	204,907
Non-capital debt	65,276
Due in more than one year:	
Capital debt	590,431
Non-capital debt	325,534
Total Liabilities	<u>3,528,955</u>
NET ASSETS	
Invested in capital assets, net of related debt	31,356,454
Restricted:	
Expendable:	
General government	66,705
Public safety	87,364
Public works	866,942
Health and welfare	204,225
Economic development	392,797
Unrestricted	2,452,485
Total Net Assets	<u>\$ 35,426,972</u>

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

CHOCTAW COUNTY
Statement of Activities
For the Year Ended September 30, 2008

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 1,789,729	161,638		(1,628,091)
Public safety	1,485,485	233,140	548,456	(633,889)
Public works	2,154,941	434,553	512,873	(912,044)
Health and welfare	103,187		15,164	(88,023)
Culture and recreation	59,200			(59,200)
Education	38,987		38,987	0
Conservation of natural resources	303,648			(303,648)
Economic development and assistance	49,273			(49,273)
Interest on long-term debt	52,357			(52,357)
Total Governmental Activities	\$ 6,036,807	829,331	1,115,480	(3,726,525)
General revenues:				
Property taxes				\$ 1,888,720
Road & bridge privilege taxes				107,907
In lieu taxes				2,011,760
Grants and contributions not restricted to specific programs				277,527
Unrestricted interest income				183,971
Miscellaneous				324,026
Total General Revenues				4,793,911
Changes in Net Assets				1,067,386
Net Assets - Beginning				34,248,595
Prior period adjustment				110,991
Net Assets - Beginning, as restated				34,359,586
Net Assets - Ending				\$ 35,426,972

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

CHOCTAW COUNTY
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Volunteer Fire Department Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 3,042,910	190,080	1,430,831	4,663,821
Accrued interest receivable	5,860	391	2,444	8,695
Property tax receivable	763,547	77,500	437,113	1,278,160
Accounts receivable (net of allowance for uncollectibles of \$322,415)			31,354	31,354
Fines receivable (net of allowance for uncollectibles of \$318,118)	84,959			84,959
Loans receivable			390,810	390,810
Intergovernmental receivables	69,683		264,954	334,637
Other receivables	294		11,405	11,699
Due from other funds		1,433	50,237	51,670
Total Assets	\$ 3,967,253	269,404	2,619,148	6,855,805
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 272,665	179,128	528,344	980,137
Intergovernmental payables	55,290			55,290
Due to other funds	51,670			51,670
Deferred revenue	848,506	77,500	468,467	1,394,473
Unearned revenue			19,683	19,683
Other payables	9,537			9,537
Total Liabilities	1,237,668	256,628	1,016,494	2,510,790
Fund balances:				
Reserved for:				
Loans receivable			390,810	390,810
Unreserved - undesignated, reported in:				
General Fund	2,729,585			2,729,585
Special Revenue Funds		12,776	1,214,448	1,227,224
Capital Project Funds			(2,604)	(2,604)
Total Fund Balances	2,729,585	12,776	1,602,654	4,345,015
Total Liabilities and Fund Balances	\$ 3,967,253	269,404	2,619,148	6,855,805

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

CHOCTAW COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2008

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,345,015
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 \$58,175,309.	32,151,792
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	84,959
Solid waste accounts receivable	31,354
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,186,148)</u>
Total Net Assets - Governmental Activities	\$ <u><u>35,426,972</u></u>

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

CHOCTAW COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	Volunteer Fire Department Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 1,008,393	105,966	774,361	1,888,720
Road and bridge privilege taxes			107,907	107,907
Licenses, commissions and other revenue	76,596		2,750	79,346
Fines and forfeitures	83,375			83,375
In lieu taxes	1,702,760		309,000	2,011,760
Intergovernmental revenues	419,938	116,814	1,221,727	1,758,479
Charges for services	148,595		505,369	653,964
Interest income	123,009	7,563	53,399	183,971
Miscellaneous revenues	198,017	1,670	125,463	325,150
Total Revenues	<u>3,760,683</u>	<u>232,013</u>	<u>3,099,976</u>	<u>7,092,672</u>
EXPENDITURES				
Current:				
General government	1,765,181		19,512	1,784,693
Public safety	916,299	270,804	120,475	1,307,578
Public works	2,125		2,230,045	2,232,170
Health and welfare	77,002		4,672	81,674
Culture and recreation	57,915			57,915
Education	38,987			38,987
Conservation of natural resources	41,863		261,785	303,648
Economic development and assistance	8,906		40,367	49,273
Debt service:				
Principal	235,090	69,913	221,160	526,163
Interest	12,152	11,016	29,189	52,357
Total Expenditures	<u>3,155,520</u>	<u>351,733</u>	<u>2,927,205</u>	<u>6,434,458</u>
Excess of Revenues over (under) Expenditures	<u>605,163</u>	<u>(119,720)</u>	<u>172,771</u>	<u>658,214</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	23,693	100,000	69,000	192,693
Proceeds from sale of capital assets	594		4,930	5,524
Compensation for loss of capital assets			7,645	7,645
Transfers in	179,845		150,000	329,845
Transfers out	(150,000)	(174,440)	(5,405)	(329,845)
Total Other Financing Sources and Uses	<u>54,132</u>	<u>(74,440)</u>	<u>226,170</u>	<u>205,862</u>
Net Changes in Fund Balances	659,295	(194,160)	398,941	864,076
Fund Balances - Beginning	<u>2,070,290</u>	<u>206,936</u>	<u>1,203,713</u>	<u>3,480,939</u>
Fund Balances - Ending	\$ <u><u>2,729,585</u></u>	<u><u>12,776</u></u>	<u><u>1,602,654</u></u>	<u><u>4,345,015</u></u>

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

CHOCTAW COUNTY

Exhibit 4-1

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, 2008

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 864,076
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 depreciation of \$711,242 exceeded capital outlays of \$622,395 in the current period.	(88,847)
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 loss of \$39,668, the proceeds from the sale of capital assets of \$5,524 and compensation for loss of capital assets of \$7,645 in the current period.	(52,837)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	10,650
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	874
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 that debt repayments of \$526,163 exceeded debt proceeds of \$192,693.	<u>333,470</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,067,386</u>

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

CHOCTAW COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 15,255
Total Assets	\$ <u>15,255</u>
LIABILITIES	
Intergovernmental payables	\$ 15,255
Total Liabilities	\$ <u>15,255</u>

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

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

(I) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Choctaw 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 Choctaw 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 unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Choctaw County Economic Development 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 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.

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 governmental function is self-financing or draws from the general revenues of the county.

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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.

Volunteer Fire Department Fund - This fund is used to account for all activities involving the volunteer fire department.

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.

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.

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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.

H. 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, other than infrastructure, 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. Choctaw County meets this criteria, but has elected to report major general infrastructure assets retroactively. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are reported in the government-wide financial statements. General infrastructure assets include roads and bridges and other infrastructure assets.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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:

	Capitalization Thresholds	Estimated Useful Life
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.

I. 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.

J. 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.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

K. 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.

L. 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.

M. 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. However, the county did not record a liability in the financial statements for compensated absences because the effects of the unrecorded liability on the financial statements are immaterial.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct errors in capital assets, net	\$ 110,991

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$4,679,076, and the bank balance was \$4,671,886. 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, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Volunteer Fire Department Fund	General	\$ 1,433
Other Governmental Funds	General	<u>50,237</u>
Total		<u>\$ 51,670</u>

The amounts listed represent tax revenue and solid waste fees collected but not settled until October, 2008. 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>
General Fund	Volunteer Fire Department Fund	\$ 174,440
General Fund	Other Governmental Funds	5,405
Other Governmental Funds	General Fund	<u>150,000</u>
Total		<u>\$ 329,845</u>

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

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consisted of the following:

Description	Amount
Governmental Activities:	
Soil and water conservation grant	\$ 177,747
State Aid road reimbursement	66,183
Legislative tag credit	37,993
State prisoner housing reimbursement	12,112
State motor vehicle taxes	14,014
State motor vehicle licenses	6,670
State overweight fines	520
Timber severance tax	946
State harvest permits	1,043
Forestry reserve	428
DEQ litter grant	7,812
Other	9,169
Total Governmental Activities	\$ 334,637

(6) Loans Receivable.

Loans receivable balances at September 30, 2008, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Ackerman Forge	05/11/2007	3.00%	04/2014	\$ 390,810

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments *	Balance Sept. 30, 2008
Non-depreciable capital assets:					
Land	\$ 86,583				86,583
Construction in progress	1,875,730	401,966		(1,155,449)	1,122,247
Total non-depreciable capital assets	1,962,313	401,966	0	(1,155,449)	1,208,830
Depreciable capital assets:					
Infrastructure	77,965,568	90,072	104,482	941,003	78,892,161
Buildings	3,228,757				3,228,757
Improvements other than buildings	864,472			214,446	1,078,918
Mobile equipment	4,598,963	17,400	68,674	321,173	4,868,862
Furniture and equipment	118,696	20,264		46,000	184,960
Leased property under capital leases	965,669	92,693		(193,749)	864,613
Total depreciable capital assets	87,742,125	220,429	173,156	1,328,873	89,118,271

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments *	Balance Sept. 30, 2008
<u>Less accumulated depreciation for:</u>					
Infrastructure	52,440,721	170,891	58,510		52,553,102
Buildings	1,464,576	40,568			1,505,144
Improvements other than buildings	87,311	43,157			130,468
Mobile equipment	3,038,993	363,453	61,809	145,414	3,486,051
Furniture and equipment	76,183	16,110		45,540	137,833
Leased property under capital leases	414,169	77,063		(128,521)	362,711
Total accumulated depreciation	<u>57,521,953</u>	<u>711,242</u>	<u>120,319</u>	<u>62,433</u>	<u>58,175,309</u>
Total depreciable capital assets, net	<u>30,220,172</u>	<u>(490,813)</u>	<u>52,837</u>	<u>1,266,440</u>	<u>30,942,962</u>
Governmental activities capital assets, net	<u>\$ 32,182,485</u>	<u>(88,847)</u>	<u>52,837</u>	<u>110,991</u>	<u>32,151,792</u>

* Adjustments are to correct prior year errors, the effects of transferring lease purchase equipment paid off to mobile equipment and construction completed to infrastructure and improvements other than buildings.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 15,291
Public safety	207,801
Public works	465,352
Health and welfare	21,513
Culture and recreation	1,285
Total governmental activities depreciation expense	<u>\$ 711,242</u>

Commitments with respect to unfinished capital projects at September 30, 2008, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
State Aid Project SAP-10(50)(B) Box Bridge Bollis - Tomnolen	\$ 193,903	September 30, 2009

(8) 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, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$108,527 for the year ended September 30, 2008. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2009	\$ 60,000
2010	60,000
2011	60,000
2012	60,000
2013	60,000
2014 - 2018	300,000
2019 - 2023	300,000
2024 - 2028	100,000
Total Minimum Payments Required	<u>\$ 1,000,000</u>

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 688,525
Furniture and equipment	176,088
Total	864,613
Less: Accumulated depreciation	<u>362,711</u>
Leased Property Under Capital Leases	<u>\$ 501,902</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 144,881	12,480
2010	108,594	7,653
2011	70,945	5,108
2012	60,421	1,581
2013	11,975	137
Total	<u>\$ 396,816</u>	<u>26,959</u>

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(11) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
New Holland TS115A tractor with mower	\$ 9,689	3.19%	08/2009
Caterpillar front-end loader	32,074	3.19%	12/2009
E911 equipment	33,574	3.30%	04/2010
IBM computer system	23,231	3.46%	05/2010
2007 caterpillar motor grader	38,390	4.24%	01/2011
District 5 - truck and trailer	75,362	4.23%	05/2012
2008 International garbage truck	99,342	4.33%	09/2012
2008 Ford Crown Victoria	21,490	3.19%	02/2013
CAT 320CL track hoe	63,664	3.22%	05/2013
Total Capital Leases	\$ 396,816		
B. Other Loans:			
CAP loan - fire trucks	\$ 91,454	3.00%	10/2012
CAP loan - fire truck	55,812	2.00%	01/2014
CAP loan - fire truck	73,436	3.00%	01/2015
CDBG loan - Ackerman Forge	390,810	3.00%	04/2014
CAP loan - fire truck	84,647	3.00%	05/2017
CAP loan - fire truck	93,173	2.00%	12/2017
Total Other Loans	\$ 789,332		

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	Other Loans	
	Principal	Interest
2009	\$ 125,302	20,564
2010	128,915	16,950
2011	132,635	13,230
2012	136,469	9,401
2013	118,286	5,735
2014-2018	147,725	4,992
Total	\$ 789,332	70,872

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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, 2008, the county had no outstanding debt limited by the legal debt margin.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:					
Capital leases	\$ 505,681	92,693	201,558	396,816	144,881
Other loans	1,013,937	100,000	324,605	789,332	125,302
Total	\$ 1,519,618	192,693	526,163	1,186,148	270,183

(12) Contingencies.

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

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

(13) Joint Venture.

The county participates in the following joint venture:

Choctaw County is a participant with the Counties of Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston, and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Choctaw County Board of Supervisors appoints one of the 14 members of the board of directors. Choctaw County did not appropriate any funds to the organization in the fiscal year 2008. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Choctaw County Board of Supervisors appoints two of the 22 members of the board of trustees. The county appropriated \$90,861 for maintenance and support of the college in fiscal year 2008.

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

The Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$7,500 to the district in fiscal year 2008.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Choctaw County Board of Supervisors appoints one of the five members of the board of directors. The county appropriated \$44,000 to the district in fiscal year 2008.

The Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$14,000 for support of the agency in fiscal year 2008.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the 21 members of the board of directors. Most of the funding for the district is derived from federal funds, and the county provides a modest amount of financial support when matching funds are required for federal grants.

(15) Defined Benefit Pension Plan.

Plan Description. Choctaw 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, 2008 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, 2008, 2007 and 2006 were \$170,473, \$154,076, and \$138,892, respectively, equal to the required contributions for each year.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(16) Subsequent Events.

Subsequent to September 30, 2008, Choctaw 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>
11/20/2008	2.00%	\$ 109,000	Capital improvement loan program	Ad valorem taxes
03/02/2009	3.19%	60,000	Capital lease	Ad valorem taxes
06/16/2009	3.28%	40,000	Capital lease	Ad valorem taxes

Choctaw County was ordered by the Northern District Bankruptcy Court to take over the operation of the Choctaw County Nursing Center (the nursing home). The county took over operation on February 14, 2010, and immediately hired Pioneer Health Service, Inc., to manage the nursing home, although the county is maintaining the financial records through the county's AS400 system.

CHOCTAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 939,932	1,010,363	1,007,291	(3,072)
Licenses, commissions and other revenue	60,000	73,118	76,190	3,072
Fines and forfeitures	69,000	83,126	83,126	
In lieu tax	2,092,220	2,092,220	2,092,220	
Intergovernmental revenues	311,350	395,737	394,959	(778)
Charges for services	75,000	162,715	162,715	
Interest income	861,683	118,570	119,299	729
Miscellaneous revenues	1,106,813	1,980,306	1,983,238	2,932
Total Revenues	<u>5,515,998</u>	<u>5,916,155</u>	<u>5,919,038</u>	<u>2,883</u>
EXPENDITURES				
Current:				
General government	3,675,038	4,009,670	3,960,020	49,650
Public safety	822,448	910,364	910,364	
Public works	203,000	1,938	1,938	
Health and welfare	75,623	74,323	74,323	
Culture and recreation	58,000	57,915	57,915	
Conservation of natural resources	42,080	41,043	41,043	
Economic development and assistance	10,000	7,500	7,500	
Debt service:				
Principal	87,793	235,090	235,090	
Interest		12,152	12,152	
Total Expenditures	<u>4,973,982</u>	<u>5,349,995</u>	<u>5,300,345</u>	<u>49,650</u>
Excess of Revenues over (under) Expenditures	<u>542,016</u>	<u>566,160</u>	<u>618,693</u>	<u>52,533</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		594	594	
Transfers in		219,865	219,865	
Other financing sources	50,000			
Total Other Financing Sources and Uses	<u>50,000</u>	<u>220,459</u>	<u>220,459</u>	<u>0</u>
Net Change in Fund Balance	592,016	786,619	839,152	52,533
Fund Balances - Beginning	<u>2,070,290</u>	<u>2,070,290</u>	<u>2,070,290</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,662,306</u>	<u>2,856,909</u>	<u>2,909,442</u>	<u>52,533</u>

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

CHOCTAW COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Volunteer Fire Department Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 77,645	105,864	105,864	
Intergovernmental revenues	34,000	116,814	116,814	
Interest income		7,240	7,240	
Miscellaneous revenues	1,600	1,670	1,670	
Total Revenues	<u>113,245</u>	<u>231,588</u>	<u>231,588</u>	<u>0</u>
EXPENDITURES				
Current:				
Public safety	189,948	266,226	266,226	
Debt service:				
Principle		69,913	69,913	
Interest		11,016	11,016	
Total Expenditures	<u>189,948</u>	<u>347,155</u>	<u>347,155</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(76,703)</u>	<u>(115,567)</u>	<u>(115,567)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		100,000	100,000	
Other financing sources	95,000			
Total Other Financing Sources and Uses	<u>95,000</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
Net Change in Fund Balance	18,297	(15,567)	(15,567)	0
Fund Balances - Beginning	<u>206,936</u>	<u>206,936</u>	<u>206,936</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 225,233</u>	<u>191,369</u>	<u>191,369</u>	<u>0</u>

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

CHOCTAW COUNTY

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CHOCTAW COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2008

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	Volunteer Fire Department Fund
Budget (Cash Basis)	\$ 839,152	(15,567)
Increase (Decrease)		
Net adjustments for revenue accruals	(2,134,663)	426
Net adjustments for expenditure accruals	1,954,806	(179,019)
GAAP Basis	\$ 659,295	(194,160)

CHOCTAW COUNTY

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CHOCTAW COUNTY

SPECIAL REPORTS

CHOCTAW 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
Choctaw County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 24, 2010. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is 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 unit. 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 Choctaw 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 the 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 and Responses as 08-1, 08-2, 08-3 and 08-4 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 the limited purpose 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 item 08-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Choctaw 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*.

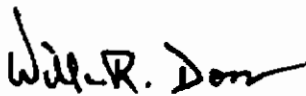
However, we noted certain immaterial matters that we reported to the management of Choctaw County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 24, 2010, included within this document.

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. 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

June 24, 2010



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
Choctaw County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Choctaw County, Mississippi, as of and for the year ended September 30, 2008. 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 Choctaw 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 Choctaw 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.

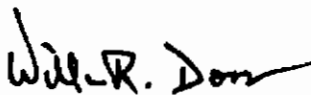
In our opinion, Choctaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Choctaw 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

June 24, 2010

CHOCTAW COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2008

Schedule I

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

CHOCTAW COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2008

Schedule 2

Our test results did not identify any emergency purchases.

CHOCTAW COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

Schedule 3

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

CHOCTAW 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
Choctaw County, Mississippi

In planning and performing our audit of the financial statements of Choctaw County, Mississippi for the year ended September 30, 2008, we considered Choctaw 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 Choctaw 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 June 24, 2010, on the financial statements of Choctaw 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 areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires that a complete and correct record be maintained for the proceedings of the board of supervisors. Interfund transfers were made without board orders spread on the minutes. The failure to obtain board approval for interfund transfers could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should ensure that minutes include approval for all interfund transfers.

Board of Supervisors' Response

The Choctaw County Board of Supervisors will give extra attention to ensure any and all interfund transfers are approved by the Board and reflected in the board minutes.

Circuit Clerk.

2. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions are not adequately separated for effective internal control. The Circuit Clerk receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

The Circuit Clerk's office has only two employees, both of whom must be able to perform all duties of handling cash collections. There are no funds available to hire an additional person in order to separate these duties.

Sheriff.

3. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions are not adequately separated for effective internal control. The Sheriff's bookkeeper receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Sheriff should implement a system for review of the accounting records by another person.

Sheriff's Response

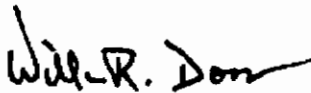
It will be the practice in the future for the Sheriff or chief deputy to review the accounting of the administrative clerk upon balancing of monthly bank statement.

Choctaw 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.



STACEY E. PICKERING
State Auditor



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

June 24, 2010

CHOCTAW COUNTY

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CHOCTAW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CHOCTAW COUNTY

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CHOCTAW COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2008

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 unit | Adverse |
| | General Fund | Unqualified |
| | Volunteer Fire Department Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

08-1. Finding

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

Recommendation

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

Board of Supervisors' Response

The Choctaw County Board of Supervisors will comply with this recommendation.

CHOCTAW COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2008

Tax Assessor-Collector.

Significant Deficiency

08-2. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions are not adequately separated for effective internal control. The Tax Assessor-Collector receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should implement a system for review of the accounting records by another person.

Tax Assessor-Collector's Response

We are a small county with few employees. Economically we are unable to hire more employees; therefore we have to double up on responsibilities. I do keep a close supervision on day to day activities in my office.

Justice Court Clerk.

Significant Deficiency

08-3. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions are not adequately separated for effective internal control. The Justice Court Clerk receipts collections, makes deposits, posts the cash journal and reconciles the bank statement. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk should implement a system for review of the accounting records by another person.

Justice Court Clerk's Response

The deputy clerk now posts the cash journal. There are only two of us in the office so Don Threadgill, the Chancery Clerk, was checking our receipts, books and deposits.

CHOCTAW COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2008

Tax Assessor-Collector.

Significant Deficiency

08-4. Finding

An effective system of internal control over property tax collection includes ensuring that the correct individual tax levies are verified as being correctly entered into the Tax Assessor-Collector's system. According to Section 1 of Choctaw County's ad valorem taxes levy sheet, the Board of Supervisors levied a 1.80 mill tax for fire protection, a 1.00 mill tax for maintenance and support of Holmes Junior College and a 1.00 mill tax for the expansion of Holmes Junior College for the 2007-2008 fiscal year. The Tax Assessor-Collector collected a 2.00 mill tax for fire protection, a .82 mill tax for maintenance and support of Holmes Junior College and a .82 mill tax for the expansion of Holmes Junior College in some taxing districts. Failure to collect taxes in accordance with the tax levies approved by the Board of Supervisors resulted in excess taxes of \$3,168 being collected for rural fire protection. It also resulted in insufficient taxes of \$2,904 being collected for maintenance and support of Holmes Junior College and insufficient taxes of \$2,904 being collected for the expansion of Holmes Junior College.

Recommendation

The Tax Assessor-Collector should establish controls to ensure that the correct millage rates are entered into the computer system and collected in accordance with the levies approved by the Board of Supervisors.

Tax Assessor-Collector's Response

I concur. I have established a process to keep control of changes to tax levies.