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CHICKASAW COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

CHICKASAW COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	10
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Government Funds	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Statement of Fiduciary Assets and Liabilities	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	39
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) General Fund	40
Countywide Road Maintenance Fund	41
Notes to the Required Supplementary Information	42
SUPPLEMENTAL INFORMATION	43
Reconciliation of Solid Waste	44
SPECIAL REPORTS	45
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	46
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)	48
Independent Auditor's Report on Limited Internal Control and Compliance Review Management Report	52
SCHEDULE OF FINDINGS AND RESPONSES	53

CHICKASAW COUNTY

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Chickasaw County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2010, 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 opinion.

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 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 units of Chickasaw County, Mississippi, as of September 30, 2010, 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, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of Chickasaw County, Mississippi's internal control over financial reporting and 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.

The Management's Discussion and Analysis and 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Watkins, Ward and Stafford, PLLC
December 28, 2011

Watkins, Ward and Stafford, PLLC

CHICKASAW COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHICKASAW COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The discussion and analysis of Chickasaw County's financial performance provides an overall narrative review of the county's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the county's performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the county's financial performance. Information contained in this section is further supported by the more detailed information contained elsewhere in this county's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the county's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$1,122,913, which represents a 15 % decrease from fiscal year 2009.
- General revenues account for \$5,098,039 in revenue, or 62% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,088,381 or 38% of total revenues.
- The county had \$9,309,333 in expenses; only \$3,088,381 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,098,039 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$4,716,725 in revenues and other financing sources and \$5,014,831 in expenditures and other financing uses and a decrease in fund balance of \$298,106 from the prior year. The County Wide Road Maintenance Fund had \$1,539,962 in revenues and other financing sources and \$1,489,514 in expenditures and an increase in fund balance of \$50,448 from the prior year.
- Capital assets, net of accumulated depreciation increased by \$5,698,655 from the prior year.
- Long-term debt decreased by \$1,531. In addition, the liability for compensated absences increased \$61,105 from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the county's basic financial statements. The county's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the county's finances in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the county's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The statement of activities presents information showing how the county's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the county that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the county include general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance and debt service.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The county uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the county can be divided into three categories: governmental funds, fiduciary funds, and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the county's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the county's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the county's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The county maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual for County Governments*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the county. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the county's own programs. The accrual basis of accounting is used for fiduciary funds. The county is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Proprietary funds. When the county charges customers for the services it provides, whether to outside customers or to other units of the county, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's proprietary fund is the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the county's budget process.

The county adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and the County Wide Construction fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the county, assets exceeded liabilities by \$6,299,169 as of September 30, 2010.

The county's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the county's net assets at September 30:

	<u>2010</u>	<u>2009</u>
Current assets	\$ 7,438,923	14,611,301
Capital assets, net	<u>19,184,826</u>	<u>13,486,171</u>
Total assets	<u>26,623,749</u>	<u>28,097,472</u>
Current liabilities	4,545,452	4,955,836
Long-term debt outstanding	<u>15,779,128</u>	<u>15,719,554</u>
Total liabilities	<u>20,324,580</u>	<u>20,675,390</u>
Net assets:		
Invested in capital assets, net of related debt	5,562,002	5,689,560
Restricted	637,082	802,819
Unrestricted	<u>100,085</u>	<u>929,703</u>
Total net assets	\$ <u>6,299,169</u>	<u>7,422,082</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of \$5,850,241 in capital assets, net of accumulated depreciation is mainly from the construction of the regional jail.
- The addition of \$645,393 in long-term debt is mainly for the purchase of capital assets.
- **Changes in net assets.** The county's total revenues for the fiscal year ended September 30, 2010 and 2009 were \$8,186,420 and \$8,819,049. The total cost of all programs and services was \$9,309,333 and \$8,425,395. The following table presents a summary of the changes in net assets for the fiscal year ended September 30:

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues	\$ 3,088,381	3,587,456
General revenues	<u>5,098,039</u>	<u>5,231,593</u>
Total revenues	<u>8,186,420</u>	<u>8,819,049</u>
Expenses:		
Governmental Activities	8,678,418	8,400,422
Business-type Activities	<u>630,915</u>	<u>24,973</u>
Total expenses	<u>9,309,333</u>	<u>8,425,395</u>
Increase (Decrease) in net assets	\$ <u>(1,122,913)</u>	<u>393,654</u>

Governmental activities. The following table presents the cost of eight major county functional activities. General government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and County's taxpayers by each of these functions.

	2010		2009	
	Total	Net(Exp.)	Total	Net(Exp.)
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
General government	\$ 3,311,006	(2,156,646)	3,273,655	(2,141,351)
Public safety	2,336,749	(1,761,205)	2,212,118	(1,449,608)
Public works	2,107,899	(1,164,593)	1,997,243	(961,700)
Health and welfare	389,285	(107,712)	557,721	(100,622)
Culture and recreation	47,241	(47,241)	15,176	(15,176)
Conservation of natural resources	85,573	(85,573)	89,454	(89,454)
Economic development and assistance	199,426	(199,426)	52,295	147,705
Interest on long-term liabilities	<u>201,239</u>	<u>(201,239)</u>	<u>202,760</u>	<u>(202,760)</u>
Total expenses	\$ <u>8,678,418</u>	<u>(5,723,635)</u>	<u>8,400,422</u>	<u>(4,812,966)</u>

- The net cost of governmental activities was \$5,723,635. General revenue, which is made up primarily of property taxes in the amount of \$4,557,665, was not sufficient to fund the net cost of governmental activities.
- Investment earnings accounted for \$14,233 of funding.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the county uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the county's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the county's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the county's net resources available for spending at the end of the fiscal year.

The financial performance of the county as a whole is reflected in its governmental funds. As the county completed the year, its governmental funds reported a combined fund balance of \$765,048, a decrease of \$516,834. \$681,574 or 89% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the county's discretion.

The General Fund is the principal operating fund of the county. The decrease in fund balance in the General Fund for the fiscal year was \$298,106. The County Wide Road Maintenance Fund, a major fund, increased its fund balance for the fiscal year by \$50,448. The fund balance of the Other Governmental Funds showed a decrease of \$269,176.

BUDGETARY HIGHLIGHTS

Over the course of the year, the county revised the annual operating budget.

A schedule showing the original and final budget amounts compared to the county's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2010, the county's total capital assets were \$26,207,770, including land, construction in progress, infrastructure, buildings, mobile equipment, leased property under capital leases, and furniture and equipment. This amount represents an increase of \$6,138,721 from the previous year. Total accumulated depreciation as of September 30, 2010 was \$7,022,944 and total depreciation expense for the year was \$639,853, resulting in total net capital assets of \$19,184,826.

Additional information of the county's capital assets can be found in the Notes to Financial Statements.

Debt Administration. At September 30, 2010, the county had \$15,779,128 in general obligation bonds and other long-term debt outstanding, of which \$1,008,490 is due within one year.

Additional information of the county's long-term debt can be found in the Notes to the Financial Statements.

CURRENT ISSUES

Chickasaw County is financially stable. The county is proud of its community support.

The county has committed itself to financial excellence for many years. In addition, the county system of financial planning, budgeting and internal financial controls are well regarded. The county plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Clerk of the Board of Supervisors – Chickasaw County, One Pinson Square, Houston, MS 38851.

CHICKASAW COUNTY

FINANCIAL STATEMENTS

CHICKASAW COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,257,905		1,257,905
Property tax receivable	3,365,947		3,365,947
Fines receivable, net	551,932		551,932
Intergovernmental receivables	140,369	83,909	224,278
Other receivables, net	70,479	2,630	73,109
Prepaid insurance	32,923		32,923
Deferred Charges - Bond Issue Costs	101,195	505,746	606,941
Restricted assets - cash		437,710	437,710
Restricted assets - investments		888,178	888,178
Capital assets, net	10,185,277	8,999,549	19,184,826
Total Assets	<u>15,706,027</u>	<u>10,917,722</u>	<u>26,623,749</u>
LIABILITIES			
Claims payable	542,628	438,249	980,877
Intergovernmental payables	108,869		108,869
Accrued interest payable	37,551		37,551
Deferred revenue	3,365,947		3,365,947
Other payables	52,208		52,208
Long-term liabilities			
Due within one year			-
Capital related debt	630,679	377,811	1,008,490
Non-capital debt			-
Due in more than one year:			
Capital related debt	3,992,596	10,603,905	14,596,501
Non-capital debt	174,137		174,137
Total Liabilities	<u>8,904,615</u>	<u>11,419,965</u>	<u>20,324,580</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,562,002		5,562,002
Restricted net assets:			
Expendable:			
General government	157,483		157,483
Debt service	65,549		65,549
Economic development	17,924		17,924
Public safety	256,673		256,673
Public works	117,041		117,041
Culture and recreation	22,412		22,412
Unrestricted	602,328	(502,243)	100,085
Total Net Assets	\$ <u>6,801,412</u>	<u>(502,243)</u>	<u>6,299,169</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, 2010

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,311,006	1,138,838	12,648	15,522	(2,156,646)		(2,156,646)
Public safety	2,336,749	562,896	819,456	123,850	(1,761,205)		(1,761,205)
Public works	2,107,899		75,867	205,706	(1,164,593)		(1,164,593)
Health and welfare	389,285				(107,712)		(107,712)
Culture and recreation	47,241				(47,241)		(47,241)
Conservation of natural resources	85,573				(85,573)		(85,573)
Economic development and assistance	199,426				(199,426)		(199,426)
Interest on long-term debt	201,239				(201,239)		(201,239)
Total Governmental Activities	<u>8,678,418</u>	<u>1,701,734</u>	<u>907,971</u>	<u>345,078</u>	<u>(5,723,635)</u>	<u>0</u>	<u>(5,723,635)</u>
Business-type Activities:							
Chickasaw County Regional Correctional Facility	630,915	86,540	907,971	47,058	(497,317)		(497,317)
Total Primary Government	<u>\$ 9,309,333</u>	<u>1,788,274</u>	<u>907,971</u>	<u>392,136</u>	<u>(5,723,635)</u>	<u>(497,317)</u>	<u>(6,220,952)</u>
General revenues:							
Taxes:							
Property taxes					\$ 4,355,038		4,355,038
Road & bridge privilege taxes					202,627		202,627
Grants and contributions not restricted to specific programs					395,720		395,720
Unrestricted investment income					14,233	19,402	33,635
Miscellaneous					111,019		111,019
Total General Revenues					<u>5,078,637</u>	<u>19,402</u>	<u>5,098,039</u>
Changes in Net Assets					<u>(644,998)</u>	<u>(477,915)</u>	<u>(1,122,913)</u>
Net Assets - Beginning					<u>7,446,410</u>	<u>(24,328)</u>	<u>7,422,082</u>
Net Assets - Ending					<u>\$ 5,801,412</u>	<u>(502,243)</u>	<u>\$ 5,299,169</u>

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

Chickasaw County
 Balance Sheet - Governmental Funds
 September 30, 2010

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	County Wide Road Maint. Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 506,281	35	751,589	1,257,905
Property tax receivable	2,324,125	126,713	915,109	3,365,947
Fines receivable (net of allowance for uncollectibles of \$1,703,709)	551,932			551,932
Intergovernmental receivables	98,177	26,024	16,168	140,389
Other receivables	57,449		13,030	70,479
Due from other funds		1,646	17,792	19,438
Total Assets	\$ 3,537,964	154,418	1,713,888	5,406,070
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 353,428	44,259	144,941	542,628
Intergovernmental payables	108,869			108,869
Due to other funds	19,438			19,438
Deferred revenue	2,876,057	128,713	915,109	3,917,879
Other payables	52,208			52,208
Total Liabilities	3,410,000	170,972	1,060,050	4,641,022
Fund balances:				
Reserved for:				
Debt Service			65,550	65,550
Capital Projects			17,924	17,924
Unreserved, undesignated, reported in:				
General fund	127,964			127,964
Special revenue funds		(16,554)	570,164	553,610
Total Fund Balances	127,964	(16,554)	653,638	765,048
Total Liabilities and Fund Balances	\$ 3,537,984	154,418	1,713,688	5,406,070

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

CHICKASAW COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 765,048
Amounts reported for governmental services 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 \$7,022,944	10,185,277
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,797,412)
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	551,932
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	32,923
Working bond issuance cost, net of amortization	101,195
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds	(37,551)
Total Net Assets - Governmental Activities	\$ <u>6,801,412</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, 2010

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	County Wide Road Maint. Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 3,029,601	121,556	1,203,881	4,355,038
Road and bridge privilege taxes		202,627		202,627
Licenses, commissions and other revenue	476,235	22,205	250,088	748,528
Fines and forfeitures	387,795		62,142	449,937
Intergovernmental revenues	350,433	688,424	486,850	1,525,707
Charges for services	390,310		167,201	557,511
Interest income	2,642	216	11,375	14,233
Miscellaneous revenues	76,426	7,825	3,369	87,620
Total Revenues	<u>4,713,442</u>	<u>1,042,653</u>	<u>2,184,906</u>	<u>7,941,201</u>
EXPENDITURES				
Current:				
General government	2,754,283		487,680	3,241,963
Public safety	1,749,172		521,896	2,271,068
Public works		1,232,588	827,120	2,059,708
Health and welfare	163,579		205,706	369,285
Culture and recreation			47,241	47,241
Conservation of natural resources	85,573			85,573
Economic development and assistance	53,823		145,603	199,426
Debt service:				
Principal	18,501	248,798	393,932	661,231
Interest	3,900	8,128	182,204	194,232
Other			3,528	3,528
Total Expenditures	<u>4,848,831</u>	<u>1,489,514</u>	<u>2,814,908</u>	<u>9,153,253</u>
Excess of Revenues over (under) Expenditures	<u>(135,389)</u>	<u>(446,661)</u>	<u>(630,002)</u>	<u>(1,212,052)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		232,899	237,494	470,393
Insurance loss recoveries	3,283	1,556		4,839
Sale of property		174,654	332	174,988
Transfers in		68,000	176,000	264,000
Lease principal payments			45,000	45,000
Transfers out	(166,000)		(98,000)	(284,000)
Total Other Financing Sources and Uses	<u>(162,717)</u>	<u>497,109</u>	<u>380,828</u>	<u>695,218</u>
Net Changes In Fund Balances	(298,106)	50,448	(269,176)	(516,834)
Fund Balances - Beginning	<u>426,070</u>	<u>(67,002)</u>	<u>922,814</u>	<u>1,281,882</u>
Fund Balances - Ending	<u>\$ 127,964</u>	<u>(16,554)</u>	<u>653,638</u>	<u>765,048</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, 2010

Exhibit 4-1

Net Changes In Fund Balances - Governmental Funds	\$ (516,634)
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 current depreciation of \$639,853 exceeded capital outlays of \$516,043 in the current period.	(121,810)
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 \$661,231 exceeded debt proceeds of \$470,393.	190,836
In the Statement of Activities, only gains and losses from the sale or disposal of capital assets are reported, whereas in the Governmental Funds, losses from the sale or disposal of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balance by the amount of the gain on the disposal of capital assets \$13,164 less the proceeds received \$164,750	(151,586)
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.	68,821
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 liability	(61,105)
The amortization of bond issuance costs.	(10,191)
The amount of decrease in accrued interest payable.	<u>1,869</u>
	(69,427)
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.	(45,000)
Change In Net Assets of Governmental Activities	\$ <u>(644,998)</u>

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

CHICKASAW COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2010

Exhibit 5

	Business-type Activities - Enterprise Fund
	Chickasaw County Regional Correctional Facility Fund
ASSETS	
Current assets:	
Restricted assets - cash	\$ 437,710
Intergovernmental receivables	83,909
Other receivables, net	2,630
Total Current Assets	<u>524,249</u>
Noncurrent assets:	
Deferred charges - bond issuance costs	505,746
Restricted assets - investments	888,178
Capital assets:	
Construction in progress	8,999,549
Total Noncurrent assets	<u>10,393,473</u>
Total assets	<u>10,917,722</u>
LIABILITIES	
Current Liabilities:	
Claims payable	438,249
Bonds, notes, and loans payable	377,811
Total Current Liabilities	<u>816,060</u>
Noncurrent Liabilities	
Bonds, notes, and loans payable	10,603,905
Total noncurrent liabilities	<u>10,603,905</u>
Total liabilities	<u>11,419,965</u>
NET ASSETS	
Unrestricted (deficit)	(502,243)
Total Net Assets	<u>\$ (502,243)</u>

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

CHICKASAW COUNTY
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2010

Exhibit 6

	Business-type Activities - Enterprise Fund
	Chickasaw County Regional Correctional Facility Fund
OPERATING REVENUES	
Charges for services	\$ 86,540
Intergovernmental revenues	47,058
Total operating revenues	<u>133,598</u>
OPERATING EXPENSES	
Personal services	188,730
Feeding of prisoners	20,540
Utilities	19,327
Repairs and maintenance	19,535
Other supplies and expense	36,194
Insurance	26,581
Miscellaneous	16,101
Total operating expenses	<u>327,006</u>
Operating income(loss)	<u>(193,410)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	19,402
Interest expense	(277,046)
Bond issuance expense	(24,671)
Other debt	(2,190)
Total nonoperating revenue (expenses)	<u>(284,505)</u>
Change in net assets	<u>(477,915)</u>
Total net assets beginning	<u>(24,328)</u>
Total net assets ending	<u>\$ (502,243)</u>

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

**CHICKASAW COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Exhibit 7

<u>Cash Flows From Operating Activities</u>	
Receipts from customers	\$ 47,059
Payments to suppliers	(370,785)
Payments to employees	(85,038)
Net cash flows from operating activities	<u>(408,764)</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Net Cash Flows From Noncapital Financing Activities	<u>0</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Proceeds of long-term debt	175,000
Purchase of capital assets	(5,715,840)
Interest paid on capital debt	(528,533)
Net Cash Flows From Noncapital Financing Activities	<u>(6,069,373)</u>
<u>Cash Flows From Investing Activities</u>	
Interest revenue	8,617
Net Cash Flows From Investing Activities	<u>8,617</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,469,520)
Cash and Cash Equivalents at Beginning of Year	<u>6,907,230</u>
Cash and Cash Equivalents at End of Year	<u>\$ 437,710</u>
Reconciliation of Operating Income (Loss) to Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (193,410.00)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(83,909.00)
(Increase) decrease in other receivables	(2,630.00)
Increase (decrease) in accounts payable	(232,507.00)
Increase (decrease) in wages payable	103,692.00
Total Adjustments	<u>(215,354.00)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (408,764.00)</u>

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

Chickasaw County
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 89,569
Total Assets	<u>\$ 89,569</u>
LIABILITIES	
Intergovernmental payables	\$ 89,569
Total Liabilities	<u>\$ 89,569</u>

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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 a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of all 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,
South East Chickasaw Fire District

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net 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 non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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.

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

The county reports the following major Proprietary Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for 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.

PROPRIETARY FUND TYPE

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Prepaid Items.

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

I. Restricted Assets

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

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital asset 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.

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

K. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities or Proprietary Funds 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.

L. 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 improvements 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 or regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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 appropriate or are legally segregated for a specific purpose.

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

N. 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.

O. Compensated Absences.

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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. Deposits

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$1,785,184, and the bank balance was \$1,602,049. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments:

As provided in Section 91-13-8, Miss. Code Ann (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Chickasaw County Regional Correctional Facility.

Investment balances at September 30, 2010, consists of a certificate of deposit for \$888,178, maturing September 14, 2011.

Interest Rate Risk. The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These deposits were held by the trustee in trust accounts on behalf of the county, and are collateralized by the State Treasurer.

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

3. Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General	\$ 1,646
Other Governmental Funds	General	17,792
Total		<u>\$ 19,438</u>

The receivables represent the tax revenue collected but not settled until October, 2010. 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	\$ 88,000
Other Governmental Funds	General	78,000
Other Governmental Funds	Other Governmental Funds	98,000
Total		<u>\$ 264,000</u>

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

4. Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010 consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 42,544
Refund of welfare department expense	3,934
Reimbursement for youth court	3,009
Reimbursement for housing inmates	48,690
Motor vehicle privilege tax	7,007
Gas severance tax	19,017
Reimbursement of E-911 salaries	8,333
Restitution	5,335
Community development block grant	2,500
Total Governmental Activities	\$ 140,369
Business-type Activities:	
Reimbursement for housing inmates	\$ 83,909

5. Restricted Assets.

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

Description	Amount
Debt service reserve	\$ 4,787
Project fund	1,307,377
Startup cost account	71
Bond issuance expense	13,653
Total restricted assets	\$ 1,325,888

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

6. Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010.

Governmental Activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 396,098				396,098
Constuction in progress	136,473	13,527		(150,000)	-
Total non-depreciable capital assets	<u>532,571</u>	<u>13,527</u>	<u>-</u>	<u>(150,000)</u>	<u>396,098</u>
<u>Depreciable capital assets:</u>					
Infrastructure	5,682,510				5,682,510
Buildings	5,290,435			150,000	5,440,435
Mobile equipment	4,202,217	206,396	137,725	301,284	4,572,172
Furniture and equipment	474,862	65,541			540,403
Leased property under capital lease	858,956	232,579	213,648	(301,284)	576,603
Total depreciable capital assets	<u>16,508,980</u>	<u>504,516</u>	<u>351,373</u>	<u>150,000</u>	<u>16,812,123</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	796,405	165,669			962,074
Buildings	1,992,548	79,323			2,071,871
Mobile equipment	3,251,427	229,474	122,873	142,862	3,500,890
Furniture and equipment	259,125	81,375			340,500
Leased property under capital leases	283,373	84,012	76,914	(142,862)	147,609
Total accumulated depreciation	<u>6,582,878</u>	<u>639,853</u>	<u>199,787</u>	<u>-</u>	<u>7,022,944</u>
Total depreciable capital assets, net	<u>9,926,102</u>	<u>(135,337)</u>	<u>151,586</u>	<u>150,000</u>	<u>9,789,179</u>
Governmental activities capital assets, net	<u>\$ 10,458,673</u>	<u>(121,810)</u>	<u>151,586</u>	<u>-</u>	<u>10,185,277</u>

*The adjustment column represents reclassification of leased property to appropriate category at the end of the lease and an addition error correction.

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Business-type Activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Construction in progress	\$ 3,027,498	5,972,051			8,999,549
Total non-depreciable capital assets	3,027,498	5,972,051	-	-	8,999,549
Business-type activities capital assets, net	\$ 3,027,498	5,972,051	-	-	8,999,549

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 61,269
Public safety	250,615
Public works	307,969
Total governmental activities depreciation expense	\$ 639,853

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, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

8. Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile Equipment	\$ 576,603
Less: Accumulated depreciation	<u>147,609</u>
Leased Property Under Capital Leases	\$ <u>428,994</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 110,210	14,074
2012	94,163	10,756
2013	97,429	7,489
2014	168,303	4,146
2015	0	0
Thereafter	<u>0</u>	<u>0</u>
Total	\$ <u>470,105</u>	<u>36,465</u>

9. Short-term Debt and Liquidity

<u>Description of Debt</u>	<u>Balance</u>			<u>Balance</u>
	<u>Oct. 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2010</u>
Grant anticipation loan	\$ -	200,000	-	200,000
	\$ -	200,000	-	<u>200,000</u>

During the month of September, 2010, the county issued \$200,000 of a grant anticipation loan with an interest rate of 1.43% and maturity date of March 13, 2011 in order to alleviate a temporary operating cash flow deficiency.

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

10. Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road Improvement & Refunding	\$ 1,435,000	4.25%	6/1/2019
General Obligation Refunding Bonds, Series 2008	2,371,000	3.99%	8/1/2023
Total General Obligation Bonds	<u>\$ 3,806,000</u>		
B. Capital Leases:			
4780 HD asphalt zipper	\$ 18,281	4.85%	7/21/2011
Komatsu excavator	100,712	3.14%	3/25/2014
International rear loader garbage truck	93,540	3.39%	7/15/2011
Tractor and bushhog	29,368	3.64%	10/16/2013
(2) Mack dump trucks	228,204	3.34%	8/25/2014
Total Capital Leases	<u>\$ 470,105</u>		
C. Other Loans:			
E911 equipment	\$ 65,671	4.25%	2/12/2014
WIN job center	81,499	3.90%	7/7/2014
Grant anticipation note (E911 equipment)	200,000	1.43%	3/13/2011
Total Other Loans	<u>\$ 347,170</u>		
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal revenue bonds	\$ 11,100,000	2.5/5.5%	4/1/2031
Total Limited Obligation Bonds	<u>\$ 11,100,000</u>		
B. Other Loans:			
Negotiable note series 2010	\$ 175,000	3.23%	7/7/2015
Total Other Loans	<u>\$ 175,000</u>		

Pledge of Future Revenues – The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$11,100,000 in limited obligation urban renewal bonds issued in April, 2009. Proceeds from the bonds provided financing for the construction of the Chickasaw County Regional Correctional Facility. The bonds are not a general obligation of the county, and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income derived from any other government for housing and holding prisoners and are payable through April 1, 2031. The total principal and interest remaining to be paid on the bonds is \$18,282,253.

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 283,000	155,505	237,469	7,024
2012	293,000	143,849	39,002	4,060
2013	304,000	131,782	40,613	2,450
2014	316,000	119,263	30,086	922
2015	322,000	106,251		
2016-2020	1,630,000	322,083		
2021-2025	658,000	53,188		
Total Governmental Activities	\$ 3,806,000	1,031,921	347,170	14,456

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 345,000	526,342	32,811	5,653
2012	355,000	517,718	33,871	4,592
2013	365,000	507,955	34,965	3,499
2014	375,000	496,640	36,094	2,369
2015	385,000	483,516	37,259	1,203
2016-2020	2,180,000	2,173,422		
2021-2025	2,745,000	1,605,880		
2026-2030	3,525,000	825,404		
2031-2035	825,000	45,376		
Total Business-type Activities	\$ 11,100,000	7,182,253	175,000	17,316

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by the 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, 2010, the amount of outstanding debt was equal to 4.17% of the latest property assessments.

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

<u>Governmental Activities:</u>	Balance Oct. 1, 2009	Additions	Reductions	Balance Sept. 30, 2010	Amount due Within one Year
Compensated absences	\$ 113,032	61,105		174,137	
General obligation bonds	4,123,000		317,000	3,806,000	283,000
Other loans	183,159	200,000	35,989	347,170	237,469
Capital leases	507,954	270,393	308,242	470,105	110,210
Total	\$ 4,927,145	531,498	661,231	4,797,412	630,679
 Business-type Activities:					
Limited obligation bonds	\$ 11,100,000			11,100,000	345,000
Other loans		175,000		175,000	32,811
Less: Bond discounts	(307,591)		14,307	(293,284)	
Total	\$ 10,792,409	175,000	14,307	10,981,716	377,811

Compensated absences will be paid from the fund from which the employee's salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Reappraisal Fund, 911 Emergency Service Fund and Solid Waste Fund.

11. **Contingencies.**

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

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

12. Joint Venture.

The county participates in the following joint venture:

Chickasaw County is a participant with Pontotoc and Calhoun Counties in the Dixie Regional Library System, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate libraries. The joint venture is governed by a board that is composed of five members appointed by the three Boards of Supervisors as follows: two of the counties at any time have two board appointed members, while the third county has one of the board members. The county with one member gets to fill the next vacant seat. No single county ever has a majority of the board members. By contractual agreement, the three counties contribute approximately 53% of the library's operating budget. Chickasaw County appropriated \$75,150 for fiscal year 2010. Complete financial statements for the Dixie Regional Library System can be obtained from Dixie Regional Library System, 111 North Main Street, Pontotoc, MS 38863-2103.

13. Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District provides services for the following counties: Calhoun, Chickasaw, Lafayette, Lee, Monroe, Pontotoc, and Union. The Chickasaw County Board of Supervisors appoints five of the forty members to the board. The county appropriated \$89,489 for fiscal year 2010.

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 2010.

Itawamba Community College operates in a district composed of the following counties: Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Chickasaw County Board of Supervisors appoints six of the thirty members of the college board of trustees. The county appropriated \$447,445 for maintenance and support of the college for fiscal year 2010.

14. Defined Benefit Pension Plan.

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

**CHICKASAW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Funding Policy. PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12.00% 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, 2010, 2009 and 2008 were \$365,010, \$360,600 and \$351,928, respectively, equal to the required contributions for each year.

15. Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Chickasaw County evaluated the activity of the County through December 28, 2011, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

Subsequent to September 30, 2010, the 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>
12/15/2010	2.00%	\$ 142,000	CAP Loan	Fire Rebate Premiums
11/23/2010	3.81%	\$ 500,000	Other Loan	Ad Valorem Taxes

CHICKASAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CHICKASAW COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 3,125,483	3,045,726	3,045,726	
Licenses, commissions and other revenue	430,400	416,333	416,333	
Fines and forfeitures	303,500	389,692	389,692	
Intergovernmental revenues	487,925	484,648	484,648	
Charges for services	305,000	341,620	341,620	
Interest income	19,650	3,492	3,492	
Miscellaneous revenues	35,000	74,576	74,576	
Total Revenues	<u>4,706,958</u>	<u>4,756,087</u>	<u>4,756,087</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,944,270	2,724,970	2,724,970	
Public safety	1,598,032	1,786,845	1,786,845	
Health and welfare	211,300	174,436	174,436	
Conservation of natural resources	90,421	84,422	84,422	
Economic development and assistance	58,337	49,837	49,837	
Debt service:				
Principal	32,401			
Total Expenditures	<u>4,934,761</u>	<u>4,820,510</u>	<u>4,820,510</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(227,803)</u>	<u>(64,423)</u>	<u>(64,423)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(166,000)	(166,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(166,000)</u>	<u>(166,000)</u>	<u>0</u>
Net Change in Fund Balance	(227,803)	(230,423)	(230,423)	
Fund Balances - Beginning	925,945	650,416	650,416	
Fund Balances - Ending	<u>\$ 698,142</u>	<u>419,993</u>	<u>419,993</u>	<u>0</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)
County Wide Road Maintenance Fund
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 165,863	124,948	124,948	
Road and bridge privilege taxes	202,000	224,832	224,832	
Intergovernmental revenues	712,100	691,155	691,155	
Interest income	1,700	215	215	
Miscellaneous revenues	7,000	182,478	182,478	
Total Revenues	<u>1,088,663</u>	<u>1,223,628</u>	<u>1,223,628</u>	<u>0</u>
EXPENDITURES:				
General government				
Public safety				
Public works	1,140,551	1,314,957	1,314,957	
Debt service:				
Principal		248,798	248,798	
Interest		8,128	8,128	
Total Expenditures	<u>1,140,551</u>	<u>1,571,883</u>	<u>1,571,883</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(51,888)</u>	<u>(348,255)</u>	<u>(348,255)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		232,899	232,899	
Proceeds from sale of capital assets		89,556	89,556	
Transfers in	51,888			
Total Other Financing Sources and Uses	<u>51,888</u>	<u>322,455</u>	<u>322,455</u>	<u>0</u>
Net Change in Fund Balance	0	(25,800)	(25,800)	
Fund Balances - Beginning	245,294	263,669	263,669	
Fund Balances - Ending	<u>\$ 245,294</u>	<u>237,869</u>	<u>237,869</u>	<u>0</u>

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

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2010**

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (230,423)	(25,800)
Increase (Decrease)		
Net adjustments for revenue accruals	(39,382)	(6,121)
Net adjustments for expenditure accruals	(28,301)	82,369
GAAP Basis	\$ (298,106)	50,448

CHICKASAW COUNTY

SUPPLEMENTAL INFORMATION

CHICKASAW COUNTY
RECONCILIATION OF OPERATING COSTS OF SOLID WASTE
FYE 9/30/10

Operating Expenditures, Cash Basis:	
Salaries	\$ 126,920
Expendable Commodities:	
Gas and Petroleum	34,309
Repair Parts	6,086
Maintenance	<u>15,582</u>
Total Operating Expenditures, Cash Basis	<u>182,897</u>
Full Cost Expenses:	
Indirect Administrative Costs	4,089
Depreciation	36,410
Net effect of other accrued expenses	<u>(13,021)</u>
Total Full Cost Expenses	<u>27,478</u>
Solid Waste Full Cost Operating Expenses	\$ <u>210,375</u>

CHICKASAW COUNTY

SPECIAL REPORTS



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 Certified Public Accountants

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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, the business-type activities, each major fund and the aggregate remaining fund information of Chickasaw County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 28, 2011. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. 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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 10-2, 10-3, 10-4, 10-5, and 10-6 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 10-1, 10-7, and 10-8 to be significant deficiencies.

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*.

Chickasaw County, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Chickasaw County, Mississippi'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.

Watkins, Ward and Stafford, PLLC
December 28, 2011

Watkins, Ward and Stafford, PLLC



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 Certified Public Accountants

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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 examined Chickasaw County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Chickasaw County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Chickasaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

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

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

Watkins, Ward and Stafford, PLLC
 December 28, 2011

Watkins, Ward and Stafford, PLLC

CHICKASAW COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2010

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than The Lowest Bid</u>
3/16/2010	Outdoor Warning Siren	\$ 16,641	Integrated Communications	\$ 15,731	The lowest bid did not provide battery backup.
4/5/2010	Wireless Diagnostic System	\$ 7,311	Snap-on Tools	\$ 6,224	The lowest bid did not have the necessary connectors and the upgrades would need to be purchased separately.

CHICKASAW COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
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Our test results did not identify any emergency purchases.

CHICKASAW COUNTY
Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2010

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
7/20/2010	Computer Software	\$ 12,500	Delta Computer Systems



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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANGEMENT 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, 2010, we considered the Chickasaw County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Chickasaw County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 28, 2011, on the financial statements of Chickasaw County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration on the 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.

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

Watkins, Ward and Stafford, PLLC
 December 28, 2011

Watkins, Ward and Stafford, PLLC

CHICKASAW COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CHICKASAW COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental Activities | Unqualified |
| Business-type Activities | Unqualified |
| Aggregate discretely presented component units | Adverse |
| Each major fund | Unqualified |
| Aggregate remaining fund information | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

CHICKASAW COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors

10-1 Finding (Significant Deficiency)

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for financial statements prior to their issuance; however, management does not have the ability to evaluate the completeness of financial statement disclosures. The absence of this control procedure is considered a significant deficiency because the potential exists that a more than inconsequential but less than a material misstatement of the financial statements could occur and not be detected by the county's internal control.

Recommendation

Management should review, approve, and accept the financial statements, including the required disclosures to the financial statements, prior to their issuance.

Response

Management will review, approve, and accept the financial statements, including the required disclosures to the financial statements, prior to their issuance.

10-2 Finding (Significant Deficiency – Material Weakness)

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. As reported in the prior two years' audit reports, 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 inclusion in the county's financial statements.

Response

The Board of Supervisors chose not to show financial data for the components units of the county.

10-3 Finding (Significant Deficiency – Material Weakness)

An effective system of internal control over accounting functions should include an adequate segregation of duties in the collection, deposit preparation, disbursement, general journal, recording and reconciling functions. As reported in the prior years' audit report, collection, deposit preparation, disbursement, general journal, recording and reconciling functions are not adequately segregated to assure an adequate internal control structure. Both bookkeepers can receipt funds, prepare deposits, post receipts to the general ledger, process disbursements and sign checks. In addition, one of the bookkeepers also records general journal entries and prepares the bank reconciliations. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.

Response

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

10-4 Finding (Significant Deficiency – Material Weakness)

An effective system of internal control should include an adequate segregation of duties over the payroll function. As reported in the prior years' reports, the maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated to assure an adequate internal control structure. The maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated to assure an adequate internal control structure. One bookkeeper inputs all payroll information in the master file, processes the payroll checks, has authority to sign the checks, prepares 941 forms, prepares W-2 forms and reconciles the bank account as well as having responsibility for general ledger functions. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

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

Response

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

Tax Assessor/Collector

10-5 Finding (Significant Deficiency – Material Weakness)

An effective system of internal control over tax collections should include an adequate separation of duties over collection, disbursement, recording and reconciling functions and adequate physical safeguards over cash collections. As reported in the prior years' audit reports, cash collection, disbursement, recording and reconciling functions were not adequately separated for effective internal control. The bookkeeper collects money, disburses funds, prepares deposits, takes the deposits to the bank, records transactions in the cash journal and reconciles the bank accounts. Failure to implement adequate controls over the collection, recording, disbursement and reconciling functions could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that there is an adequate separation of duties in the collection, disbursement, recording and reconciling functions.

Response

Effective internal controls will be implemented as feasible with the available resources.

Justice Court Clerk

10-6 Finding (Significant Deficiency – Material Weakness)

An effective system of internal control over collections in the Justice Court Clerk's office should include an adequate separation of duties. As reported in the prior years' audit reports, cash collection, cash disbursement, recording 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.

Recommendation

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

Response

Due to limited personnel and financial resources, an adequate separation of duties is not feasible.

Chancery Clerk

10-7 Finding (Significant Deficiency)

Pursuant to Section 23-15-211, Miss. Code Ann., the election commissioners are to file the certificate received from the Secretary of State's office verifying completion of the election training seminar by April 30 of each year. Only one of the election commissioners filed this certificate.

Recommendation

Each election commissioner should file their certificate by the due date.

Response

Care will be taken to assure compliance with this code section.

10-8 Finding (Significant Deficiency)

The Chancery Clerk filed the required Public Depositor Annual Report; however, it was not filed within 30 days after the fiscal year end.

Recommendation

The Public Deposit Annual Report should be filed within 30 days following the fiscal year end.

Response

Case will be taken to file this report *timely*.