



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

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State Auditor**

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Director, County Audit Section**

CHOCTAW COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2003**

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race, religion, national origin, sex, age or disability*

CHOCTAW COUNTY

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CHOCTAW COUNTY

FINANCIAL SECTION

CHOCTAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Choctaw County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of and for the year ended September 30, 2003, 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.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management did not maintain adequate subsidiary records documenting the accounts receivable of solid waste user fees or the aging of these accounts receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of accounts receivable, net, reported on the Statement of Net Assets and in the Solid Waste Fund at \$23,177. Also, because of the nature of the accounts receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the Solid Waste Fund.

Management did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivables, net, reported on the Statement of Net Assets and in the General Fund at \$74,368, as of September 30, 2003. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

The financial statements referred to above include only the primary government of Choctaw County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Choctaw County, Mississippi, as of September 30, 2003, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the solid waste accounts receivable for the Solid Waste Fund as described in the third paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the Solid Waste Fund of Choctaw County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court fines receivable for the General Fund as described in the fourth paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of Choctaw County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Choctaw County, Mississippi, as of September 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Choctaw County, Mississippi, implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2005, on our consideration of Choctaw County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

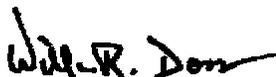
Choctaw County has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes on pages 32 through 35 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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 primary government financial statements that collectively comprise Choctaw County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

March 22, 2005

CHOCTAW COUNTY

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CHOCTAW COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CHOCTAW COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	<u>Primary Government</u>
	Governmental Activities
ASSETS	
Cash	\$ 1,667,004
Accrued interest receivable	1,254
Property tax receivable	1,417,768
Accounts receivable (net of allowance for uncollectibles of \$131,333)	23,177
Fines receivable (net of allowance for uncollectibles of \$316,855)	74,368
Loans receivable	395,165
Intergovernmental receivables	341,801
Other receivables	33,149
Capital assets, net	16,795,581
Total Assets	<u>20,749,267</u>
LIABILITIES	
Claims payable	695,149
Retainage payable	3,662
Intergovernmental payables	49,580
Deferred revenue	1,417,768
Other payables	2,215
Long-term liabilities	
Due within one year:	
Capital related debt	215,275
Non-capital debt	33,182
Due in more than one year:	
Capital related debt	573,619
Non-capital debt	361,983
Total Liabilities	<u>3,352,433</u>
NET ASSETS	
Invested in capital assets, net of related debt	16,006,687
Restricted:	
Expendable:	
General government	27,578
Public safety	274,579
Public works	711,119
Economic development	476
Other purposes	395,165
Unrestricted	(18,770)
Total Net Assets	<u>\$ 17,396,834</u>

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

CHOCTAW COUNTY
Statement of Activities
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,387,329	204,080	3,449	51,607	(1,128,193)
Public safety	912,153	222,112	41,888	114,300	(533,853)
Public works	2,819,979	334,658	562,176	606,470	(1,316,675)
Health and welfare	348,575		199,517	250,000	100,942
Culture and recreation	73,994				(73,994)
Conservation of natural resources	118,231		75,000		(43,231)
Economic development and assistance	247,207				(247,207)
Interest on long-term debt	53,448				(53,448)
Total Governmental Activities	<u>\$ 5,960,916</u>	<u>760,850</u>	<u>882,030</u>	<u>1,022,377</u>	<u>(3,295,659)</u>
General revenues:					
Property taxes				\$ 2,281,982	
Road & bridge privilege taxes				103,732	
Grants and contributions not restricted to specific programs				198,873	
Unrestricted interest income				20,810	
Miscellaneous				74,677	
Total General Revenues				<u>2,680,074</u>	
Changes in Net Assets					<u>(615,585)</u>
Net Assets - Beginning, as restated					<u>18,012,419</u>
Net Assets - Ending					<u>\$ 17,396,834</u>

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

CHOCTAW COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General Fund	Solid Waste Fund		
ASSETS				
Cash	\$ 561,140	33,924	1,071,940	1,667,004
Accrued interest receivable	599		655	1,254
Property tax receivable	583,406	106,135	728,227	1,417,768
Accounts receivable (net of allowance for uncollectibles \$131,333)		23,177		23,177
Fines receivable (net of allowance for uncollectibles \$316,855)	74,368			74,368
Loans receivable	395,165			395,165
Intergovernmental receivables	40,872		300,929	341,801
Other receivables	2,992	26,740	3,057	32,789
Due from other funds	15,006	1,640	16,070	32,716
Advances to other funds	360			360
Total Assets	<u>\$ 1,673,908</u>	<u>191,616</u>	<u>2,120,878</u>	<u>3,986,402</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 214,662	40,796	439,691	695,149
Retainage payable			3,662	3,662
Intergovernmental payables	48,628			48,628
Due to other funds	18,662		15,006	33,668
Deferred revenue	657,774	129,312	728,227	1,515,313
Other payables	2,215			2,215
Total Liabilities	<u>941,941</u>	<u>170,108</u>	<u>1,186,586</u>	<u>2,298,635</u>
Fund balances:				
Reserved for:				
Advances	360			360
Loan receivable	395,165			395,165
Unreserved, reported in:				
General Fund	336,442			336,442
Special Revenue Funds		21,508	934,292	955,800
Total Fund Balances	<u>731,967</u>	<u>21,508</u>	<u>934,292</u>	<u>1,687,767</u>
Total Liabilities and Fund Balances	<u>\$ 1,673,908</u>	<u>191,616</u>	<u>2,120,878</u>	<u>3,986,402</u>

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

CHOCTAW COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,687,767
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 \$30,542,325.	16,795,581
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	97,545
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,184,059)</u>
Total Net Assets - Governmental Activities	<u>\$ 17,396,834</u>

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

CHOCTAW COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Solid Waste Fund</u>		
REVENUES				
Property taxes	\$ 1,458,297	132,381	691,304	2,281,982
Road and bridge privilege taxes			103,732	103,732
Licenses, commissions and other revenue	95,923		2,996	98,919
Fines and forfeitures	85,255			85,255
Intergovernmental revenues	281,287		1,821,993	2,103,280
Charges for services	140,096	332,857	72,924	545,877
Interest income	11,597		9,213	20,810
Miscellaneous revenues	54,637	50	10,973	65,660
Total Revenues	<u>2,127,092</u>	<u>465,288</u>	<u>2,713,135</u>	<u>5,305,515</u>
EXPENDITURES				
Current:				
General government	1,422,070		51,607	1,473,677
Public safety	667,513		470,437	1,137,950
Public works	3,237	466,491	1,975,028	2,444,756
Health and welfare	76,848		269,718	346,566
Culture and recreation	73,994			73,994
Conservation of natural resources	41,946		75,000	116,946
Economic development and assistance	8,000		239,207	247,207
Debt service:				
Principal	57,549		184,183	241,732
Interest	25,682		27,766	53,448
Total Expenditures	<u>2,376,839</u>	<u>466,491</u>	<u>3,292,946</u>	<u>6,136,276</u>
Excess of Revenues over (under) Expenditures	<u>(249,747)</u>	<u>(1,203)</u>	<u>(579,811)</u>	<u>(830,761)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	86,296		560,093	646,389
Proceeds from sale of capital assets			12,800	12,800
Transfers in	50,000		18,261	68,261
Transfers out	(1,261)		(67,000)	(68,261)
Total Other Financing Sources and Uses	<u>135,035</u>	<u>0</u>	<u>524,154</u>	<u>659,189</u>
Net Changes in Fund Balances	<u>(114,712)</u>	<u>(1,203)</u>	<u>(55,657)</u>	<u>(171,572)</u>
Fund Balances - Beginning, as restated	<u>846,679</u>	<u>22,711</u>	<u>989,949</u>	<u>1,859,339</u>
Fund Balances - Ending	<u>\$ 731,967</u>	<u>21,508</u>	<u>934,292</u>	<u>1,687,767</u>

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

CHOCTAW 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, 2003

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (171,572)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$1,725,841 exceeded capital outlays of \$1,660,969 in the current period.	(64,872)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$7,517 and the proceeds from the sale of \$12,800 in the current period.	(5,283)
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.	28,998
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	1,801
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of 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 proceeds of \$646,389 exceeded debt repayments of \$241,732.	<u>(404,657)</u>
Change in Net Assets of Governmental Activities	<u>\$ (615,585)</u>

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

CHOCTAW COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 6,630
Due from other funds	<u>952</u>
Total Assets	<u><u>\$ 7,582</u></u>
 LIABILITIES	
Other accrued liabilities	\$ 833
Intergovernmental payables	6,389
Advances from other funds	<u>360</u>
Total Liabilities	<u><u>\$ 7,582</u></u>

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

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Choctaw County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds 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.

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.

Solid Waste Fund - Accounts for all activities related to the disposal of solid waste within the county.

Additionally, the county reports the following fund types:

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

GOVERNMENTAL FUND TYPES

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

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

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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

H. Capital Assets.

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

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

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

	<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 will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions 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, and laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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

K. Property Tax Revenues.

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 409,793		436,886	846,679
Solid Waste		22,556	155	22,711
Other Governmental Funds:				
Special Revenue	1,422,155	(3,097)	(429,109)	989,949
 Total Governmental Funds	 1,831,948	 19,459	 7,932	 1,859,339

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Activities:				
Capital assets, net		6,373,773	10,491,963	16,865,736
Long-term liabilities		(779,402)		(779,402)
Fines receivable			45,370	45,370
Accounts receivable			21,376	21,376
Total Governmental Funds and Governmental Activities	\$ <u>1,831,948</u>	<u>5,613,830</u>	<u>10,566,641</u>	<u>18,012,419</u>
Fiduciary Funds				
Expendable Trust	\$ <u>19,459</u>	<u>(19,459)</u>	<u>0</u>	<u>0</u>
Account Groups				
General Fixed Assets	\$ 6,373,773	(6,373,773)		0
General Long-term Debt	<u>(779,402)</u>	<u>779,402</u>		<u>0</u>
Total Account Groups	\$ <u>5,594,371</u>	<u>(5,594,371)</u>	<u>0</u>	<u>0</u>

(3) Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$1,673,634, and the bank balance was \$1,678,877. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 15,006
Solid Waste	General	1,640
Other Governmental Funds	General	16,070
Agency Funds	General	<u>952</u>
Total		\$ <u><u>33,668</u></u>

The Other Governmental Funds payable represents an error in posting an expenditure during the year. All other amounts represent the tax revenue collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency Funds	\$ <u>360</u>

The Agency Fund payable represents insurance premium refunds which were not repaid within one year.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 50,000
Other Governmental Funds	General Fund	1,261
Other Governmental Funds	Other Governmental Funds	<u>17,000</u>
Total		\$ <u>68,261</u>

The principal purpose of interfund transfers was to correct a coding error and redistribute tax levy proceeds based on current road district miles. All interfund transfers were consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 40,283
Community development block grant	51,607
Federal Aviation Administration	236,545
Mississippi Department of Transportation, Aeronautics Division	12,777
Other revenue	<u>589</u>
Total Governmental Activities	\$ <u>341,801</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2003, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
The Taylor Group	12/19/96	6.00	11/12	\$ <u>395,165</u>

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 86,583				86,583
Construction in progress		370,122			370,122
Total non-depreciable capital assets	<u>86,583</u>	<u>370,122</u>	<u>0</u>	<u>0</u>	<u>456,705</u>
<u>Depreciable capital assets:</u>					
Infrastructure		513,227		39,805,253	40,318,480
Buildings	2,917,724			(236,904)	2,680,820
Mobile equipment	2,115,382	390,649	52,834	228,124	2,681,321
Furniture and equipment	240,679	8,500		(159,447)	89,732
Leased property under capital leases	1,013,405	378,471		(281,028)	1,110,848
Total depreciable capital assets	<u>6,287,190</u>	<u>1,290,847</u>	<u>52,834</u>	<u>39,355,998</u>	<u>46,881,201</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		1,352,709		25,801,514	27,154,223
Buildings		23,768		1,288,562	1,312,330
Mobile equipment		206,368	47,551	1,559,321	1,718,138
Furniture and equipment		26,776		26,019	52,795
Leased property under capital leases		116,220		188,619	304,839
Total accumulated depreciation	<u>0</u>	<u>1,725,841</u>	<u>47,551</u>	<u>28,864,035</u>	<u>30,542,325</u>
Total depreciable capital assets, net	<u>6,287,190</u>	<u>(434,994)</u>	<u>5,283</u>	<u>10,491,963</u>	<u>16,338,876</u>
Governmental activities capital assets, net	<u>\$ 6,373,773</u>	<u>(64,872)</u>	<u>5,283</u>	<u>10,491,963</u>	<u>16,795,581</u>

* Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 28,552
Public safety	88,313
Public works	1,605,682
Health and welfare	2,009
Culture and recreation	1,285
Total governmental activities depreciation expense	<u>\$ 1,725,841</u>

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

As of September 30, 2003, the county had the following commitments with respect to unfinished capital projects:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Courthouse renovation	\$ 268,591	July, 2004
Airport runway expansion and upgrade	48,388	July, 2004
New Justice Court building	88,790	September, 2004

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees 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, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

The county leases property from which it expects to receive income in future years. The county did not receive any income from this lease for the year ended September 30, 2003. The future minimum lease receivables for the lease follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ 0
2005	68,000
2006	204,000
2007	<u>136,000</u>
Total Minimum Payments Required	<u>\$ 408,000</u>

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,015,891
Other furniture and equipment	<u>94,957</u>
Total	1,110,848
Less: Accumulated depreciation	<u>304,839</u>
Leased Property Under Capital Leases	<u><u>\$ 806,009</u></u>

The following is a schedule by years of the total payments due as of September 30, 2003:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 192,194	21,451
2005	178,798	12,309
2006	95,979	6,457
2007	95,639	2,848
2008	<u>26,627</u>	<u>295</u>
Total	<u><u>\$ 589,237</u></u>	<u><u>43,360</u></u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. Capital Leases:			
Caterpillar 140H motor grader	\$ 34,627	5.70	04/05
Caterpillar 140H motor grader	27,479	5.77	05/05
Caterpillar 140H motor grader	41,918	5.74	06/05
Caterpillar 420D backhoe	20,122	4.79	08/05
Jail kitchen equipment	5,883	3.82	09/05
Caterpillar 140H motor grader	60,666	5.71	10/05
2002 Ford F150 pickup	16,370	4.24	01/07
Caterpillar 140H motor grader	83,104	3.93	10/07

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Sakai SW650 roller	41,446	3.80	10/07
International 9900 tractor trailer	57,086	3.80	10/07
International 9900 tractor trailer	48,881	3.80	10/07
Chancery/Circuit imaging system	77,024	3.67	02/08
Volunteer fire communication system	74,631	3.28	07/08
Total Capital Leases	\$ <u>589,237</u>		
B. Other Loans:			
GIS sketching system - software & hardware	\$ 10,835	4.44	12/05
Community development block grant - The Taylor Group	395,165	6.00	11/12
Community development block grant - fire trucks	188,822	3.00	10/12
Total Other Loans	\$ <u>594,822</u>		

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

Year Ending September 30	Other Loans	
	Principal	Interest
2004	\$ 56,263	28,780
2005	59,082	25,962
2006	58,195	23,047
2007	59,838	20,137
2008	62,899	17,076
2009 - 2013	298,545	34,288
Total	\$ <u>594,822</u>	<u>149,290</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the county had no outstanding debt limited by the legal debt margin.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	Balance Oct. 1, 2002	Additions	Reductions	Adjustments	Balance Sept. 30, 2003	Amount due within one year
Capital leases	\$ 329,247	440,779	180,789		589,237	192,194
Other loans	450,155	205,610	60,943		594,822	56,263
Total	<u>\$ 779,402</u>	<u>646,389</u>	<u>241,732</u>	<u>0</u>	<u>1,184,059</u>	<u>248,457</u>

(12) Deficit Fund Balance of Individual Funds.

The following fund reported a deficit fund balance at September 30, 2003:

<u>Fund</u>	<u>Deficit Amount</u>
Hospital Support & Maintenance	\$ 34,775

(13) 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.

(14) Joint Venture.

The county participates in the following joint venture:

Choctaw County is a participant with the Counties of Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston, and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Choctaw County Board of Supervisors appoints one of the 14 members of the board of directors. Choctaw County did not appropriate any funds to the organization in fiscal year 2003. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Choctaw County Board of Supervisors appoints two of the 22 members of the board of trustees. The county appropriated \$77,448 for maintenance and support of the college in fiscal year 2003.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$13,000 to the district in fiscal year 2003.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Choctaw County Board of Supervisors appoints one of the five members of the board of directors. The county appropriated \$57,192 to the district in fiscal year 2003.

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

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$14,000 for the support of the agency in fiscal year 2003.

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

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$100,283, \$95,095 and \$91,801, respectively, equal to the required contributions for each year.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(17) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.9% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Choctaw County during the 2002-2003 fiscal year was \$9,608.

(18) Subsequent Events.

Subsequent to September 30, 2003, Choctaw County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/20/03	3.19	\$ 38,754	Lease purchase	Tax levy
10/30/03	3.19	65,000	Lease purchase	Tax levy
03/24/04	2.64	135,424	Lease purchase	Tax levy
04/07/04	2.69	127,650	Lease purchase	Tax levy
08/09/04	3.19	54,456	Lease purchase	Tax levy
08/31/04	2.92	30,000	Lease purchase	Tax levy
11/17/04	3.00	110,000	Capital improvements revolving loan program	Tax levy
12/20/04	3.19	120,976	Lease purchase	Tax levy

CHOCTAW COUNTY

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CHOCTAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,126,517	1,383,924	1,383,924	
Licenses, commissions and other revenue	79,455	82,290	82,290	
Fines and forfeitures	86,000	70,264	70,264	
Intergovernmental revenues	253,322	319,243	319,243	
Charges for services	50,000	140,096	140,096	
Interest income	106,150	18,930	18,930	
Miscellaneous revenues	60,000	145,267	145,267	
Total Revenues	<u>1,761,444</u>	<u>2,160,014</u>	<u>2,160,014</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,325,654	1,346,729	1,346,729	
Public safety	519,864	616,974	616,974	
Public works	4,909	17,249	17,249	
Health and welfare	74,635	76,401	76,401	
Culture and recreation	57,800	70,195	70,195	
Conservation of natural resources	34,843	41,578	41,578	
Economic development and assistance	8,000	8,000	8,000	
Debt service:				
Principal	73,739	54,858	54,858	
Interest		28,373	28,373	
Total Expenditures	<u>2,099,444</u>	<u>2,260,357</u>	<u>2,260,357</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(338,000)</u>	<u>(100,343)</u>	<u>(100,343)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		328	328	
Transfers in		146,575	146,575	
Transfers out		(101,477)	(101,477)	
Other financing sources	48,000			
Total Other Financing Sources and Uses	<u>48,000</u>	<u>45,426</u>	<u>45,426</u>	<u>0</u>
Net Change in Fund Balance	(290,000)	(54,917)	(54,917)	0
Fund Balances - Beginning	<u>290,000</u>	<u>205,723</u>	<u>205,723</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>150,806</u>	<u>150,806</u>	<u>0</u>

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

CHOCTAW COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Solid Waste Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$	132,969	132,969	
Charges for services		331,522	331,522	
Miscellaneous revenues		50	50	
Total Revenues	<u>0</u>	<u>464,541</u>	<u>464,541</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works		468,687	468,687	
Total Expenditures	<u>0</u>	<u>468,687</u>	<u>468,687</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(4,146)</u>	<u>(4,146)</u>	<u>0</u>
Net Change in Fund Balance	0	(4,146)	(4,146)	0
Fund Balances - Beginning		<u>32,106</u>	<u>32,106</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>27,960</u>	<u>27,960</u>	<u>0</u>

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

CHOCTAW COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2003

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 the major Special Revenue Fund.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. 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).

CHOCTAW COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Solid Waste Fund</u>
Budget (Cash Basis)	\$ (54,917)	(4,146)
Increase (Decrease)		
Net adjustments for revenue accruals	664,193	747
Net adjustments for expenditure accruals	<u>(723,988)</u>	<u>2,196</u>
GAAP Basis	<u><u>\$ (114,712)</u></u>	<u><u>(1,203)</u></u>

CHOCTAW COUNTY

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CHOCTAW COUNTY

SUPPLEMENTAL INFORMATION

CHOCTAW COUNTY

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CHOCTAW COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M02-SG-28-01-0992	\$ 179,821
U.S. Department of Transportation - Federal Aviation Administration Airport improvement program	20.106	3-28-0002-001-2003	<u>250,050</u>
Total Expenditures of Major Federal Awards			<u>429,871</u>
OTHER FEDERAL AWARDS			
U. S. Department of Agriculture - Natural Resources Conservation Services Soil and water conservation	10.902	N/A	<u>75,000</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	119-02-010-PF-01	<u>51,607</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>2,200</u>
Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Public assistance grants	97.036	FEMA-1360-DR-MS	<u>29,363</u>
Total Expenditures of Other Federal Awards			<u>158,170</u>
Total Expenditures of Federal Awards			<u>\$ 588,041</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

CHOCTAW COUNTY

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CHOCTAW COUNTY

SPECIAL REPORTS

CHOCTAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Choctaw County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated March 22, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. Our report includes a qualified opinion on the Solid Waste Fund because the county did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of these accounts receivable and a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Except for the limitations related to the qualified opinions, 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.

Compliance

As part of obtaining reasonable assurance about whether Choctaw County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of Choctaw County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations dated March 22, 2005, included within this document.

Internal Control Over Financial Reporting

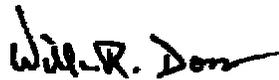
In planning and performing our audit, we considered Choctaw County, Mississippi’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Choctaw County, Mississippi’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1, 03-2, 03-3, 03-4, 03-5, 03-6 and 03-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-1 and 03-6 to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities 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.



PHIL BRYANT
State Auditor



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

March 22, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Choctaw County, Mississippi

Compliance

We have audited the compliance of Choctaw County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. Choctaw County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Choctaw County, Mississippi's management. Our responsibility is to express an opinion on Choctaw County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Choctaw County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Choctaw County, Mississippi's compliance with those requirements.

In our opinion, Choctaw County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

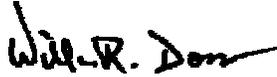
The management of Choctaw County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Choctaw County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities 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.



PHIL BRYANT
State Auditor



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

March 22, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Choctaw County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Choctaw County, Mississippi, as of and for the year ended September 30, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Choctaw County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Choctaw County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

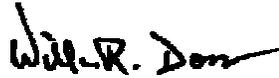
In our opinion, Choctaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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



PHIL BRYANT
State Auditor



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

March 22, 2005

CHOCTAW COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2003

Schedule 1

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

CHOCTAW COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2003

Schedule 2

Our test results did not identify any emergency purchases.

CHOCTAW COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

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

CHOCTAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors
Choctaw County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated March 22, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. Our report includes a qualified opinion on the Solid Waste Fund because the county did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of these accounts receivable and a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Except for the limitations related to the qualified opinions, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-11-9, Miss. Code Ann. (1972), requires the county budget to be prepared upon forms prescribed by the State Auditor and Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency funds. As reported in the prior year audit report, the original budget adopted for fiscal year 2002-2003 did not show each individual fund.

Recommendation

The Board of Supervisors should budget all county funds individually using the prescribed forms when preparing the original budget.

Board of Supervisors' Response

Beginning in 2004, we began using the prescribed forms.

2. Finding

Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor. Several employee bonds were written as "indefinite" coverage for the entire period of employment rather than the term. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Board of Supervisors should cancel the current bonds and secure new ones for the duration of the current term.

Board of Supervisors' Response

We are canceling all bonds which are termed "indefinite" and reissuing same as term bonds.

Sheriff.

3. Finding

Section 41-29-181, Miss. Code Ann. (1972), authorizes the procedure for disposal of seized and forfeited property and funds. Funds should be deposited into the General Fund and credited to the law enforcement budget, subject to the usual accounting and audit procedures of the county. The Sheriff maintained the 'seized and forfeited' funds separate from the county and made expenditures without the approval of the Board of Supervisors or compliance with state purchase laws.

Recommendation

The Sheriff should settle all seized and forfeited funds received to the General Fund and expenditures should only be made if in compliance with state purchase laws with board approval.

Sheriff's Response

The seized and forfeited funds that this office has at this time will be turned over to the county's General Fund at the end of April, 2005, when the monthly settlement is made.

Justice Court Clerk.

4. Finding

Section 9-11-29(2), Miss. Code Ann. (1972), states that every person appointed as Clerk of the Justice Court shall, before entering into the duties of the position, give bond with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officers. The Justice Court Clerk is bonded for an indefinite period of time, which is not the same manner as other county officials.

Recommendation

The Justice Court Clerk should get a bond which states specific beginning and ending effective dates.

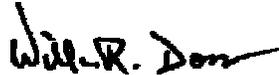
Justice Court Clerk's Response

I was not aware of this and I will discuss it with the Board of Supervisors.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities 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.



PHIL BRYANT
State Auditor



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

March 22, 2005

CHOCTAW COUNTY

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CHOCTAW COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHOCTAW COUNTY

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CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-----------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Qualified |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 6. | Any audit finding reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | HOME investment partnerships program, CFDA #14.239 | |
| b. | Airport improvement program, CFDA #20.106 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

Management did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees and the aging of these receivables. Therefore, the Independent Auditors' Report is qualified on the Solid Waste Fund because we were not able to satisfy ourselves as to the fair presentation of the solid waste accounts receivable in the Solid Waste Fund.

Recommendation

The Board of Supervisors should establish procedures documenting the accounts receivable records and the aging of the solid waste fees.

Board of Supervisors' Response

The solid waste department's computer software is being upgraded to allow for better accounts receivable records. This upgrade will include an aged accounts receivable report.

03-2. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control over the solid waste user fees. One employee receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal and reconciles the bank statement.

Recommendation

The Board of Supervisors should implement a system of review of the accounting records by another person.

Board of Supervisors' Response

The Chancery Clerk will be responsible for the review of the solid waste clerk's cash journal.

Chancery Clerk.

03-3. Finding

Insufficient documentation exists within the payroll function relating to time worked and leave taken for county employees. This lack of documentation makes it more difficult to conduct an audit and could result in unauthorized payments to employees.

Recommendation

The Chancery Clerk should establish procedures to provide adequate documentation in the payroll function and ensure that those procedures are enforced.

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Chancery Clerk's Response

Each employee will file monthly worksheet reports with their immediate supervisor and if they have no immediate supervisor the reports will be submitted to the Chancery Clerk who will file the same in the payroll records.

Circuit Clerk.

03-4. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.

Recommendation

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

Circuit Clerk's Response

The above finding has been discussed with me by the audit department and is understood. Unfortunately, the Choctaw County Board of Supervisors does not allow adequate funding in the Circuit Clerk's budget to hire additional office personnel.

Sheriff.

03-5. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.

Recommendation

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

Sheriff's Response

All dispatchers/jailers have the authority to receive money on their shift and receipt that money. Effective the date of the last audit, the Sheriff signs all accounting records, cash journal pages, settlement reports, bank reconciliations, etc., when he reviews them. The Sheriff has been, and is the only person that signs settlement checks.

Justice Court Clerk.

03-6. Finding

Management did not maintain adequate subsidiary records documenting the fines receivable in the Justice Court and the aging of these receivables. Therefore, the Independent Auditors' Report is qualified on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable in the General Fund.

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Recommendation

The Justice Court Clerk should establish procedures documenting the subsidiary fines receivable records and the aging of these receivables.

Justice Court Clerk's Response

The computer software, at the time, was not adequate for this report. It is supposed to be corrected.

03-7. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.

Recommendation

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

Justice Court Clerk's Response

As I am the only employee in the Justice Court office, I have to handle all duties. If this is corrected, it will be corrected by the Board of Supervisors employing additional staff for the Justice Court office.