



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

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**OKTIBBEHA COUNTY, MISSISSIPPI**

**Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2005**



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OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

FINANCIAL SECTION

OKTIBBEHA 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  
Oktibbeha County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's primary government financial statements 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 paragraph, 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 receivables. 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 Other Governmental Funds at \$481,139, as of September 30, 2005. 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 Other Governmental Funds.

The financial statements referred to above include only the primary government of Oktibbeha 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 units, 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 Oktibbeha County, Mississippi, as of September 30, 2005, 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 Other Governmental Funds as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information for the primary government of Oktibbeha County, Mississippi, as of September 30, 2005, and all 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the primary government of Oktibbeha County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

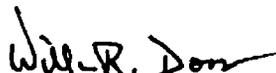
In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006, on our consideration of Oktibbeha County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 primary government financial statements that collectively comprise Oktibbeha 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

September 15, 2006

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

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**OKTIBBEHA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
***F.Y.E. SEPTEMBER 30, 2005***

***INTRODUCTION***

The discussion and analysis of Oktibbeha County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2005. 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.

This discussion and analysis is an 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.

Oktibbeha County is located in northeastern Mississippi. The population, according to the 2000 census is 42,902. The local economic base is driven mainly by Manufacturing and Mississippi State University.

***FINANCIAL HIGHLIGHTS***

Oktibbeha County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Oktibbeha County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets increased \$852,251, which includes a prior period adjustment of \$100,823, represents a 2.41% increase from the prior fiscal year. The County's ending cash balance decreased by \$2,637,470 which represents a 22.32% decrease from the prior fiscal year.

The County had \$13,094,985 in total revenues. Tax revenues account for \$6,591,161 or 50.33% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$2,085,324 or 15.92% of total revenues.

The County had \$12,343,557 in total expenses, which represents an increase of \$822,433 or 7.14% increase from the prior fiscal year. Expenses in the amount of \$3,756,254 were offset by charges for services, grants or outside contributions. General revenues of \$9,338,731 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$7,172,146 in revenues and \$9,360,544 in expenditures. The General Fund's fund balance, including the effect of \$82,106 in prior period adjustments, decreased \$1,995,381 from the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,581,740 in revenues and \$3,167,645 in expenditures. The Countywide Road Maintenance Fund's fund balance decreased by \$392,600 from the prior year.

Among major funds, the Countywide Bridge and Culvert Fund had \$1,234,247 in revenues and \$1,020,397 in expenditures. The Countywide Bridge and Culvert Fund's fund balance increased by \$213,850 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$3,047,564.

Long-term debt decreased by \$325,524.

## ***OVERVIEW OF THE 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 comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Figure 1 – Required Components of the County's Annual Report**

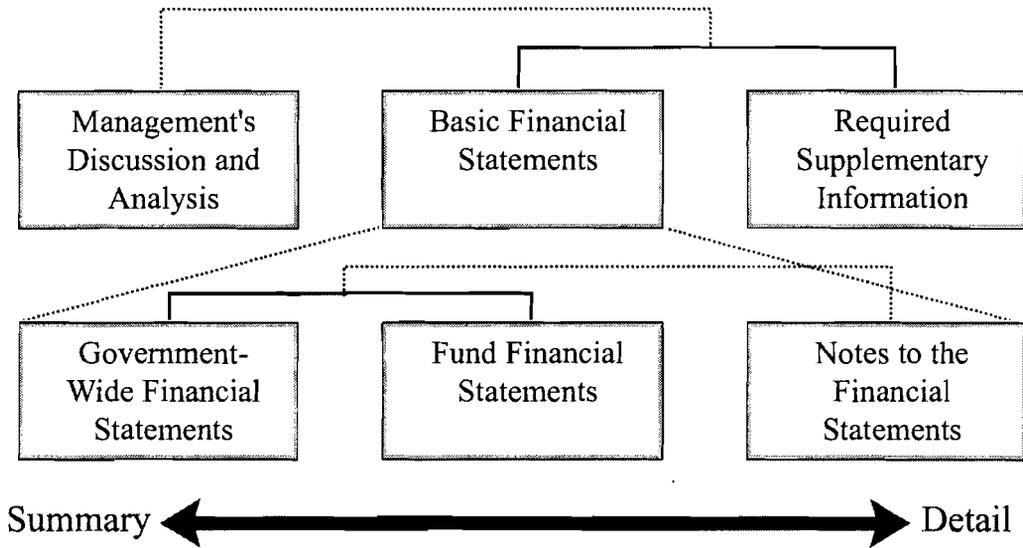


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

**Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements**

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else’s resources
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>● Statement of net assets</li> <li>● Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>● Balance sheet</li> <li>● Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>● Statement of fiduciary assets and liabilities</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short and long term
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County 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 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 result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). However, the county had no business-type activities. The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; conservation of natural resources; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 21 and 22 of this report.

**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 finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary 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 funds financial statements focus on near-term inflows and outflows of 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 a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

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 government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 28, respectively.

The County maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds 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.

The basic governmental funds financial statements can be found on pages 23, 26 and 27 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the 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 purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 29 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30 - 43 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **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 each additional major fund. This required supplementary information can be found on pages 46 - 49 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 52 and 53 of this report.

## ***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 Oktibbeha County, assets exceeded liabilities by \$36,231,959 as of September 30, 2005.

By far, the largest portion of the County's net assets (81%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results 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 for the fiscal year ended September 30, 2005 as compared to September 30, 2004:

	2005 Governmental <u>Activities</u>	2004 Governmental <u>Activities</u>
Current assets	\$16,211,429	\$18,549,264
Capital assets, net	<u>31,363,965</u>	<u>28,316,401</u>
Total assets	<u>47,575,394</u>	<u>46,865,665</u>
Current liabilities	6,895,170	6,712,168
Long-term debt outstanding	<u>4,448,265</u>	<u>4,773,789</u>
Total liabilities	<u>11,343,435</u>	<u>11,485,957</u>
Net assets:		
Invested in capital assets, net of related debt	29,272,368	26,436,081
Restricted	3,288,769	4,264,264
Unrestricted	<u>3,670,822</u>	<u>4,679,363</u>
Total net assets	<u>\$36,231,959</u>	<u>\$35,379,708</u>

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

- \$634,547 of long-term debt principal was retired.
- \$1,471,780 in construction costs for the new Circuit Court/County Administration Building was paid in Fiscal Year 2004-05.

**Changes in Net Assets** – Oktibbeha County's total revenues for the fiscal year ended September 30, 2005 was \$13,094,985. The total cost for all services provided was \$12,343,557. The county also had a prior period adjustment to net assets of \$100,823. The increase in net assets was \$852,251. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005:

	<u>Current Year Amount</u>	<u>Prior Year Amount</u>
Revenues:		
Program revenues		
Charges for services	\$2,240,444	\$2,575,572
Operating grants & contributions	1,162,650	1,087,185
Capital grants & contributions	353,160	70,224
General revenues		
Property taxes	6,591,161	6,410,357
Road & bridge privilege taxes	388,440	378,937
Grants & contributions not restricted to specific programs	1,435,393	1,580,989
Unrestricted interest income	359,328	304,477
Miscellaneous	<u>564,409</u>	<u>109,373</u>
<b>Total Revenues</b>	<b><u>13,094,985</u></b>	<b><u>12,517,114</u></b>
Expenses:		
General government	4,483,164	3,597,842
Public safety	3,864,129	3,763,471
Public works	2,780,837	3,127,881
Health and welfare	388,961	427,021
Culture & Recreation	152,738	139,871
Education	4,951	7,869
Conservation of natural resources	160,003	104,094
Economic development & assistance	275,992	75,310
Interest on long-term debt	<u>232,782</u>	<u>277,765</u>
<b>Total Expenses</b>	<b><u>12,343,557</u></b>	<b><u>11,521,124</u></b>
Prior period adjustment	<u>100,823</u>	<u>-0-</u>
<b>Increase in Net Assets</b>	<b><u>\$852,251</u></b>	<b><u>\$995,990</u></b>

**Governmental Activities** – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Oktibbeha County's taxpayers by each of these functions.

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$4,483,164	\$3,679,107
Public Safety	3,864,129	2,551,344
Public Works	2,780,837	1,430,748
Health & Welfare	388,961	364,593
Economic Development	275,992	11,037

### ***FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS***

**Governmental funds** – At the close of the fiscal year, Oktibbeha County's governmental funds reported a combined fund balance of \$8,375,123, a decrease of \$2,602,180, including the effects of prior period adjustments of \$82,106. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

- The county expenditures exceeded its revenues and other financing sources by \$2,684,286. Although, the county had sufficient beginning cash balances to cover the expenditures, the net loss incurred due to expenditures exceeding the revenues and other financing sources, which decreased the fund balance.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$1,995,381. Major factors contributing to this decrease were \$1,471,780 in construction costs (construction in progress) for the new Circuit County/County Administration Building, and the increase in costs in Lunacy Court for housing indignant patients at Alliance Health Center in Meridian, MS. State law now prohibits counties from holding lunacy patients in jail while awaiting an opening at the state mental hospital therefore, counties have the burden of finding and paying for alternate treatment for indignant patients.

### ***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

Over the course of the year, Oktibbeha County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Budgeted revenues from state and federal sources were amended to account for grants awarded.

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, 2005, Oktibbeha County’s total gross capital assets were \$81,594,786. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$3,135,976. The majority of this amount is due to the additions to construction in progress expenses in the amount of \$1,471,780 for the Circuit Court/County Administration Building and \$347,244 spent in building county roads.

Total accumulated depreciation as of September 30, 2005 was \$50,230,821, including \$936,820 of depreciation expense for the year. The balance in total net capital assets was \$31,363,965 at year-end.

Additional information on Oktibbeha County’s capital assets can be found in note 8 on pages 37 and 38 of this report.

**Debt Administration** – At September 30, 2005, Oktibbeha County had \$4,448,265 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$838,629 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County’s outstanding debt is significantly below its current limit.

Additional information on Oktibbeha County’s long-term debt can be found in note 11 on pages 39 – 41 of this report.

## ***CURRENT AND FUTURE ITEMS OF IMPACT***

There are plans for a sizeable apartment complex that will be completed in time for the fall semester at MSU. This project will provide local jobs and a substantial increase in the tax base for Oktibbeha County.

There are also plans for two large regional projects that should have a big impact on Oktibbeha County for more jobs and housing in the immediate future. SeverCorr, a large steel plant will be under construction this summer and American Eurocopter should be ready to start production this summer.

Since the completion of the bypass in and around Starkville, we have seen and will continue to see fairly rapid growth. Several businesses will be completed within the next 12 months. Three new restaurants are scheduled for completion during this time, Chili’s, Peppers and Zaxby’s. Four County Electric Cooperative’s new building will be completed by the end of the year. This new construction and the opening of the new businesses will have a significant impact on the increase of the County’s assessed value.

Oktibbeha County has an unemployment rate of 6.5%. This compares favorably with the state average rate of 8.3%.

### ***CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Oktibbeha County Administrator's/Chancery Clerk's office at P.O. Box 80285, Starkville, Mississippi 39759.

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY  
Statement of Net Assets  
September 30, 2005

Exhibit I

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 9,179,272
Accrued interest receivable	19,443
Property tax receivable	5,107,516
Accounts receivable (net of allowance for uncollectibles of \$1,704,628)	481,139
Fines receivable (net of allowance for uncollectibles of \$3,354,029)	459,997
Loans receivable	587,291
Intergovernmental receivables	279,193
Other receivables	97,578
Capital assets, net	31,363,965
Total Assets	<u>47,575,394</u>
<b>LIABILITIES</b>	
Claims payable	737,642
Claims and judgments liability	172,216
Amounts held in custody for others	96,647
Intergovernmental payables	760,418
Deferred revenue	5,107,516
Unearned revenue	20,731
Long-term liabilities	
Due within one year:	
Capital debt	247,257
Non-capital debt	591,372
Due in more than one year:	
Capital debt	1,844,340
Non-capital debt	1,765,296
Total Liabilities	<u>11,343,435</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	29,272,368
Restricted:	
Expendable:	
General government	17,515
Debt service	667,643
Public safety	485,362
Public works	1,973,701
Culture and recreation	25,519
Economic development	119,029
Unrestricted	3,670,822
Total Net Assets	<u>\$ 36,231,959</u>

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

OKTIBBEHA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2005

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	\$ 4,483,164	804,057			(3,679,107)
Public safety	3,864,129	735,145	527,640	50,000	(2,551,344)
Public works	2,780,837	701,242	626,095	22,752	(1,430,748)
Health and welfare	388,961		8,915	15,453	(364,593)
Culture and recreation	152,738				(152,738)
Education	4,951				(4,951)
Conservation of natural resources	160,003				(160,003)
Economic development and assistance	275,992			264,955	(11,037)
Interest on long-term debt	232,782				(232,782)
Total Governmental Activities	<u>\$ 12,343,557</u>	<u>2,240,444</u>	<u>1,162,650</u>	<u>353,160</u>	<u>(8,587,303)</u>
General revenues:					
Property taxes				\$ 6,591,161	
Road & bridge privilege taxes				388,440	
Grants and contributions not restricted to specific programs				1,435,393	
Unrestricted interest income				359,328	
Miscellaneous				564,409	
Total General Revenues				<u>9,338,731</u>	
Changes in Net Assets				<u>751,428</u>	
Net Assets - Beginning					35,379,708
Prior period adjustment					100,823
Net Assets - Beginning, as restated					<u>35,480,531</u>
Net Assets - Ending					<u>\$ 36,231,959</u>

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

OKTIBBEHA COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2005

Exhibit 3

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Countywide Bridge and Culvert Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>					
Cash	\$ 5,809,219	1,157,436	520,993	1,691,624	9,179,272
Accrued interest receivable	13,872	1,448	881	3,242	19,443
Property tax receivable	3,421,891	628,972	713,969	342,684	5,107,516
Accounts receivable (net of allowance for uncollectibles of \$1,704,628)				481,139	481,139
Fines receivable (net of allowance for uncollectibles of \$3,354,029)	459,997				459,997
Loans receivable				587,291	587,291
Intergovernmental receivables	245,213			33,980	279,193
Other receivables	10,913			86,665	97,578
Due from other funds	2,167	70,004	38,493	22,122	132,786
Total Assets	<u>\$ 9,963,272</u>	<u>1,857,860</u>	<u>1,274,336</u>	<u>3,248,747</u>	<u>16,344,215</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 438,205	124,892	44,263	130,282	737,642
Claims and judgments liability	172,216				172,216
Amounts held in custody for others	96,647				96,647
Intergovernmental payables	744,634	15,784			760,418
Due to other funds	130,619	2,167			132,786
Deferred revenue	3,881,888	628,972	713,969	823,823	6,048,652
Unearned revenue				20,731	20,731
Total Liabilities	<u>5,464,209</u>	<u>771,815</u>	<u>758,232</u>	<u>974,836</u>	<u>7,969,092</u>
Fund balances:					
Reserved for:					
Debt service				667,643	667,643
Loans receivable				587,291	587,291
Unreserved, reported in:					
General Fund	4,499,063				4,499,063
Special Revenue Funds		1,086,045	516,104	1,018,977	2,621,126
Total Fund Balances	<u>4,499,063</u>	<u>1,086,045</u>	<u>516,104</u>	<u>2,273,911</u>	<u>8,375,123</u>
Total Liabilities and Fund Balances	<u>\$ 9,963,272</u>	<u>1,857,860</u>	<u>1,274,336</u>	<u>3,248,747</u>	<u>16,344,215</u>

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

OKTIBBEHA COUNTY  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,375,123
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) 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 \$50,230,821.	31,363,965
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	941,136
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(4,448,265)</u>
Total Net Assets - Governmental Activities	<u>\$ 36,231,959</u>

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

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## OKTIBBEHA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2005

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund		
<b>REVENUES</b>					
Property taxes	\$ 4,516,755	585,403	979,388	509,615	6,591,161
Road and bridge privilege taxes		388,440			388,440
Licenses, commissions and other revenue	350,229	929	1,055	12,282	364,495
Fines and forfeitures	412,690			25,137	437,827
Intergovernmental revenues	1,199,546	596,921	250,167	904,569	2,951,203
Charges for services	333,400			1,023,379	1,356,779
Interest income	295,870	4,352	2,061	57,045	359,328
Miscellaneous revenues	63,656	5,695	1,576	16,931	87,858
Total Revenues	<u>7,172,146</u>	<u>1,581,740</u>	<u>1,234,247</u>	<u>2,548,958</u>	<u>12,537,091</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,850,235			6,211	5,856,446
Public safety	2,706,064			1,199,597	3,905,661
Public works	23,982	3,167,645	1,020,397	687,107	4,899,131
Health and welfare	388,961				388,961
Culture and recreation	152,000			738	152,738
Education				4,951	4,951
Conservation of natural resources	175,623				175,623
Economic development and assistance	38,438			237,554	275,992
Debt service:					
Principal	22,366			612,181	634,547
Interest	2,875			229,907	232,782
Total Expenditures	<u>9,360,544</u>	<u>3,167,645</u>	<u>1,020,397</u>	<u>2,978,246</u>	<u>16,526,832</u>
Excess of Revenues over (under) Expenditures	<u>(2,188,398)</u>	<u>(1,585,905)</u>	<u>213,850</u>	<u>(429,288)</u>	<u>(3,989,741)</u>

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund		
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	91,231	225,000			316,231
Proceeds from sale of capital assets		968,144			968,144
Compensation for loss of capital assets	19,680	161		1,239	21,080
Total Other Financing Sources and Uses	<u>110,911</u>	<u>1,193,305</u>	<u>0</u>	<u>1,239</u>	<u>1,305,455</u>
Net Changes in Fund Balances	<u>(2,077,487)</u>	<u>(392,600)</u>	<u>213,850</u>	<u>(428,049)</u>	<u>(2,684,286)</u>
Fund Balances - Beginning	6,494,444	1,478,645	302,254	2,701,960	10,977,303
Prior period adjustment	82,106				82,106
Fund Balances - Beginning, as restated	<u>6,576,550</u>	<u>1,478,645</u>	<u>302,254</u>	<u>2,701,960</u>	<u>11,059,409</u>
Fund Balances - Ending	<u>\$ 4,499,063</u>	<u>1,086,045</u>	<u>516,104</u>	<u>2,273,911</u>	<u>8,375,123</u>

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

OKTIBBEHA 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, 2005

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (2,684,286)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,506,041 exceeded depreciation of \$936,820 in the current period.	3,569,221
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 and compensation for loss of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$467,567 and the proceeds from the sale and compensation for loss of \$989,224 in the current period.	(521,657)
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.	23,744
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.	57,599
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 \$634,547 exceeded debt proceeds of \$316,231.	318,316
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. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in compensated absences.	<u>(11,509)</u>
Change in Net Assets of Governmental Activities	<u>\$ 751,428</u>

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

OKTIBBEHA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 146,426
Other receivables	487
Total Assets	<u>\$ 146,913</u>
LIABILITIES	
Amounts held in custody for others	\$ 25,905
Intergovernmental payables	121,008
Total Liabilities	<u>\$ 146,913</u>

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

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Oktibbeha 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 Oktibbeha County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Oktibbeha County Hospital
- George M. Bryan Field (Airport Commission)

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.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

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.

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

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

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 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.

#### 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.

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

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 retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide 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 and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

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

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

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

J. Equity Classifications.

Government-wide Financial Statements:

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

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

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct error in long-term debt balance	\$ 18,717
To correct error in revenue accruals	<u>82,106</u>
Total prior period adjustment	<u>\$ 100,823</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

<u>Explanation</u>	<u>Amount</u>
To correct error in revenue accruals	\$ <u>82,106</u>
Total prior period adjustment	<u>\$ 82,106</u>

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$9,325,698, and the bank balance was \$9,274,824. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Countywide Road Maintenance	\$ 2,167
Countywide Road Maintenance	General	70,004
Countywide Bridge and Culvert	General	38,493
Other Governmental Funds	General	<u>22,122</u>
Total		<u>\$ 132,786</u>

The receivables represent the tax revenue collected but not settled until October, 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 181,656
Reimbursement for housing prisoners	37,905
Disaster grants - public assistance	25,652
Byrne formula grant program	<u>33,980</u>
Total Governmental Activities	<u>\$ 279,193</u>

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(7) Loans Receivable.

Loans receivable balances at September 30, 2005, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Hewlett, Inc. #2	06/06/94	6.00%	09/01/09	\$ 84,391
Hewlett, Inc. #3	10/20/95	6.00%	11/01/09	87,490
Global Aircraft	03/10/02	6.50%	06/01/17	415,410
Total				<u>\$ 587,291</u>

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 836,133	32,800			868,933
Construction in progress	65,625	1,753,399			1,819,024
Total non-depreciable capital assets	<u>901,758</u>	<u>1,786,199</u>	<u>0</u>	<u>0</u>	<u>2,687,957</u>
<u>Depreciable capital assets:</u>					
Infrastructure	65,538,015	742,233			66,280,248
Buildings	4,602,159				4,602,159
Mobile equipment	6,613,389	1,468,812	1,370,065		6,712,136
Furniture and equipment	568,642	64,262			632,904
Leased property under capital leases	234,847	444,535			679,382
Total depreciable capital assets	<u>77,557,052</u>	<u>2,719,842</u>	<u>1,370,065</u>	<u>0</u>	<u>78,906,829</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	43,864,232	123,447			43,987,679
Buildings	1,770,303	67,816			1,838,119
Mobile equipment	4,052,378	589,335	848,408		3,793,305
Furniture and equipment	364,913	69,731			434,644
Leased property under capital leases	90,583	86,491			177,074
Total accumulated depreciation	<u>50,142,409</u>	<u>936,820</u>	<u>848,408</u>	<u>0</u>	<u>50,230,821</u>
Total depreciable capital assets, net	<u>27,414,643</u>	<u>1,783,022</u>	<u>521,657</u>	<u>0</u>	<u>28,676,008</u>
Governmental activities capital assets, net	<u>\$ 28,316,401</u>	<u>3,569,221</u>	<u>521,657</u>	<u>0</u>	<u>31,363,965</u>

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 123,347
Public safety	243,241
Public works	566,898
Conservation of natural resources	<u>3,334</u>
 Total governmental activities depreciation expense	 \$ <u><u>936,820</u></u>

Commitment with respect to an unfinished capital project at September 30, 2005, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Circuit Court Building	\$ 136,821	December 2005

(9) 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 \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$25,000, and the aggregate policy covers all submitted claims in excess of \$1,000,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2004 and 2005:

	<u>2004</u>	<u>2005</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 82,144	59,244
Plus: Incurred Claims (Including IBNRs)	974,880	1,459,771
Less: Claims Payments	<u>997,780</u>	<u>1,346,799</u>
 Unpaid Claims, End of Fiscal Year	 \$ <u><u>59,244</u></u>	 <u><u>172,216</u></u>

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

Classes of Property	Governmental Activities
Mobile equipment	\$ 364,500
Furniture and equipment	<u>314,882</u>
Total	679,382
Less: Accumulated depreciation	<u>177,074</u>
Leased Property Under Capital Leases	<u><u>\$ 502,308</u></u>

The following is a schedule by years of the total payments due as of September 30, 2005:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2006	\$ 172,257	15,844
2007	178,852	9,249
2008	46,035	4,473
2009	44,073	2,224
2010	<u>380</u>	<u>1</u>
Total	<u><u>\$ 441,597</u></u>	<u><u>31,791</u></u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Research park (1987)	\$ 375,000	7.375/8.00%	03/01/07
2001 road and bridge construction	<u>1,650,000</u>	4.20/6.00%	03/01/21
Total General Obligation Bonds	<u><u>\$ 2,025,000</u></u>		

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Capital Leases:</b>			
911 emergency communications	\$ 147,732	5.07%	05/10/09
Tax Assessor's computer system	52,871	3.11%	11/15/07
County Extension copier and equipment	15,994	7.58%	11/10/09
2 motorgraders	<u>225,000</u>	3.41%	09/10/07
Total Capital Leases	\$ <u>441,597</u>		
<b>C. Other Loans:</b>			
Business incubator loan	\$ 250,000	0.00%	05/15/06
Service Zone TVA loan	232,159	2.74%	10/15/10
Service Zone cap loan	381,768	5.66%	04/01/16
Service Zone cap loan	384,690	5.66%	05/01/16
Hewlett community development block grant	89,029	6.00%	11/01/09
Hewlett community development block grant	85,945	6.00%	09/01/09
Global Aircraft community development block grant	<u>415,409</u>	6.50%	06/01/17
Total Other Loans	\$ <u>1,839,000</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2006	\$ 255,000	98,156	411,372	84,412
2007	270,000	79,266	169,793	75,991
2008	75,000	68,025	178,682	67,101
2009	75,000	64,650	189,590	57,690
2010	100,000	60,975	154,759	48,879
2011 - 2015	500,000	239,125	610,707	139,826
2016 - 2020	625,000	106,453	124,097	6,248
2021 - 2025	<u>125,000</u>	<u>3,047</u>		
Total	\$ <u>2,025,000</u>	<u>719,697</u>	<u>1,839,000</u>	<u>480,147</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, 2005, the amount of outstanding debt was equal to 1.03% of the latest property assessments.

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Reductions	Adjustments *	Balance Sept. 30, 2005	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 131,159	11,509			142,668	
General obligation bonds	2,455,000		430,000		2,025,000	255,000
Capital leases	180,320	316,231	54,954		441,597	172,257
Other loans	2,007,310		149,593	(18,717)	1,839,000	411,372
<b>Total</b>	<b>\$ 4,773,789</b>	<b>327,740</b>	<b>634,547</b>	<b>(18,717)</b>	<b>4,448,265</b>	<b>838,629</b>

\* This adjustment is to correct a prior year error.

(12) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. As of September 30, 2005, the single audit performed on these federal grants disclosed a material instance of noncompliance, resulting in questioned costs by the auditor in the amount of \$127,928. Any disallowance by the grantor agency could result in a liability of the county, but ultimate resolution cannot presently be determined. Accordingly, 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.

Hospital Revenue Bond Contingencies - The county issued revenue bonds to provide funds for constructing and improving capital facilities of the Oktibbeha County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the county has pledged the avails of a five mill levy in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2005, is \$15,665,000.

(13) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2005</u>
Hospital revenue refunding bonds	\$ <u>725,000</u>

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

#### (14) Related Organizations.

The Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Oktibbeha County Economic Development Authority, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county did not appropriate any funds to this organization.

The Board of Supervisors is responsible for appointing the members of the board of the Central Drainage District, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county did not appropriate any funds to this organization.

#### (15) Joint Ventures.

The county participates in the following joint ventures:

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Oktibbeha County Library. The joint venture is governed by ten members, five appointed by each government. By contractual agreement, the county's appropriation to the joint venture was \$150,000 in the fiscal year 2005. Complete financial statements for the Oktibbeha County Library can be obtained from 326 University Drive, Starkville, MS 39759.

Oktibbeha County is a participant with the Counties of Choctaw, Clay, Lowndes, Noxubee and Webster, 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 Oktibbeha County Board of Supervisors appoints one of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from P.O. Drawer DN, Mississippi State, MS 39762.

#### (16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee, and Oktibbeha. The Oktibbeha County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$648,409 for maintenance and support of the college in fiscal year 2005.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Oktibbeha County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$24,500 for support of the district in fiscal year 2005.

Golden Triangle Regional Airport Authority operates in a district composed of the Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville and West Point. The Oktibbeha County Board of Supervisors appoints one of the five members of the board of commissioners. The county provided no financial support for the authority in fiscal year 2005.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Oktibbeha County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$45,441 for support of the agency in fiscal year 2005.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

Prairie Opportunity, Inc., operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Oktibbeha County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. These 14 board members are not appointed by the county Board of Supervisors. The counties generally provide no financial support to the organization.

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 Oktibbeha County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

(17) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2005 was 10.75% 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, 2005, 2004 and 2003 were \$454,313, \$392,753 and \$364,374, respectively, equal to the required contributions for each year.

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,656,159	4,544,048	4,544,048	
Licenses, commissions and other revenue	287,950	347,880	347,880	
Fines and forfeitures	325,025	385,776	385,776	
Intergovernmental revenues	1,201,706	1,425,005	1,425,005	
Charges for services	300,000	304,145	304,145	
Interest income	244,791	299,355	299,355	
Miscellaneous revenues	33,000	59,358	59,358	
Total Revenues	<u>7,048,631</u>	<u>7,365,567</u>	<u>7,365,567</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,908,809	5,727,419	5,727,419	
Public safety	2,799,769	2,764,915	2,764,915	
Public works	32,000	23,982	23,982	
Health and welfare	401,082	388,543	388,543	
Culture and recreation	150,000	152,000	152,000	
Education	174,800	147,778	147,778	
Conservation of natural resources	117,674	107,283	107,283	
Economic development and assistance	40,000	27,500	27,500	
Debt Service:				
Principal		30,345	30,345	
Interest		1,648	1,648	
Total Expenditures	<u>11,624,134</u>	<u>9,371,413</u>	<u>9,371,413</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(4,575,503)</u>	<u>(2,005,846)</u>	<u>(2,005,846)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets	0	25,513	25,513	
Total Other Financing Sources and Uses	<u>0</u>	<u>25,513</u>	<u>25,513</u>	<u>0</u>
Net Change in Fund Balances	(4,575,503)	(1,980,333)	(1,980,333)	0
Fund Balances - Beginning	<u>4,575,503</u>	<u>6,553,688</u>	<u>6,553,688</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>4,573,355</u>	<u>4,573,355</u>	<u>0</u>

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

OKTIBBEHA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 832,304	866,311	866,311	
Road and bridge privilege taxes	300,000	382,963	382,963	
Licenses, commissions, and other revenue		929	929	
Intergovernmental revenues	555,000	608,229	608,229	
Interest income		2,903	2,903	
Miscellaneous revenue		5,695	5,695	
Total Revenues	<u>1,687,304</u>	<u>1,867,030</u>	<u>1,867,030</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,221,125	3,463,454	3,463,454	
Total Expenditures	<u>3,221,125</u>	<u>3,463,454</u>	<u>3,463,454</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,533,821)</u>	<u>(1,596,424)</u>	<u>(1,596,424)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		225,000	225,000	
Proceeds from sale of capital assets		968,144	968,144	
Compensation for loss of capital assets		161	161	
Total Other Financing Sources and Uses	<u>0</u>	<u>1,193,305</u>	<u>1,193,305</u>	<u>0</u>
Net Change in Fund Balance	(1,533,821)	(403,119)	(403,119)	0
Fund Balances - Beginning	<u>1,533,821</u>	<u>1,498,659</u>	<u>1,498,659</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,095,540</u>	<u>1,095,540</u>	<u>0</u>

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

OKTIBBEHA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 944,777	983,550	983,550	
Licenses, commissions and other revenue		1,055	1,055	
Intergovernmental revenues	268,278	251,743	251,743	
Interest income		1,180	1,180	
Total Revenues	<u>1,213,055</u>	<u>1,237,528</u>	<u>1,237,528</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,586,275	1,069,769	1,069,769	
Total Expenditures	<u>1,586,275</u>	<u>1,069,769</u>	<u>1,069,769</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(373,220)</u>	<u>167,759</u>	<u>167,759</u>	<u>0</u>
Net Change in Fund Balance	(373,220)	167,759	167,759	0
Fund Balances - Beginning	<u>373,220</u>	<u>363,367</u>	<u>363,367</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>531,126</u>	<u>531,126</u>	<u>0</u>

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

OKTIBBEHA COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Countywide Bridge and Culvert Fund</u>
Budget (Cash Basis)	\$ (1,980,333)	(403,119)	167,759
Increase (Decrease)			
Net adjustments for revenue accruals	(108,023)	1,225	(3,281)
Net adjustments for expenditure accruals	<u>10,869</u>	<u>9,294</u>	<u>49,372</u>
GAAP Basis	<u>\$ (2,077,487)</u>	<u>(392,600)</u>	<u>213,850</u>

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SUPPLEMENTAL INFORMATION

OKTIBBEHA COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M03-SG-280-920	\$ 30,246
HOME investment partnerships program	14.239	M04-SG-280-920	<u>234,709</u>
Total U.S. Department of Housing and Urban Development			<u>264,955</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Byrne formula grant program	16.579	03NM2311	18,325
Byrne formula grant program	16.579	04NM1531	<u>221,413</u>
Total U.S. Department of Justice			<u>239,738</u>
Total Expenditures of Major Federal Awards			<u>504,693</u>
<b>OTHER FEDERAL AWARDS</b>			
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1114-97-053-HMG-01	<u>14,077</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Local law enforcement block grant program	16.592	N/A	<u>5,000</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	1,650
U.S. Department of Transportation - Pipeline and Hazardous Materials Safety Administration/Passed-through the Mississippi Emergency Management Agency Interagency hazardous materials public sector training and planning grants	20.703	4HMT	<u>1,315</u>
Total U.S. Department of Transportation			<u>2,965</u>

OKTIBBEHA COUNTY  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security			
Homeland Security Cluster/Passed-through the			
Mississippi Emergency Management Agency			
State domestic preparedness equipment support program/ Passed-through the Mississippi Department of Public Safety - Office of Homeland Security	97.004	3SSG-2060	30,000
State domestic preparedness equipment support program	97.004	04HS053	24,448
State domestic preparedness equipment support program	97.004	04LE053	32,392
State domestic preparedness equipment support program	97.004	04CS053	<u>8,821</u>
 Total Homeland Security Cluster			 95,661
U.S. Department of Homeland Security/Passed-through the			
Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	FEMA-1550-DR-MS	33,228
Disaster grants - public assistance	97.036	FEMA-1604-DR-MS	25,652
Emergency management performance grants	97.042	4EMP	5,298
Emergency management performance grants	97.042	5EMP	10,594
State homeland security program	97.073	2DGP-51	<u>24,960</u>
 Total U.S. Department of Homeland Security			 <u>195,393</u>
 Total Expenditures of Other Federal Awards			 <u>217,435</u>
 Total Expenditures of Federal Awards			 <u>\$ 722,128</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.

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SPECIAL REPORTS

OKTIBBEHA COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Oktibbeha County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated September 15, 2006. 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 units. Our report includes a qualified opinion on the aggregate remaining fund information because the county did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of these receivables. Except for the limitations related to the opinion qualification, 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 Oktibbeha County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Oktibbeha County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

A material weakness is a reportable 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 caused by error or fraud 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, we consider the reportable condition described above to be a material weakness.

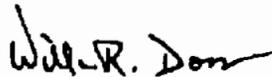
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oktibbeha County, Mississippi's primary government 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*.

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

September 15, 2006



# 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  
Oktibbeha County, Mississippi

### Compliance

We have audited the compliance of Oktibbeha 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, 2005. Oktibbeha 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 Oktibbeha County, Mississippi's management. Our responsibility is to express an opinion on Oktibbeha 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 Oktibbeha 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 Oktibbeha County, Mississippi's compliance with those requirements.

As described in items 05-2, 05-4, 05-5, 05-6, 05-7, and 05-8 in the accompanying Schedule of Findings and Questioned Costs, Oktibbeha County, Mississippi, did not comply with requirements regarding eligibility, allowable costs/cost principles, reporting and special tests and provisions that are applicable to its Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for Oktibbeha County, Mississippi, to comply with requirements applicable to that program.

As described in item 05-10, in the accompanying Schedule of Findings and Questioned Costs, Oktibbeha County, Mississippi, did not comply with requirements regarding reporting that are applicable to its Byrne Formula Grant Program. Compliance with such requirements is necessary, in our opinion, for Oktibbeha County, Mississippi, to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the third paragraph, Oktibbeha County, Mississippi, did not comply, in all material respects, with the requirements referred to above that are applicable to its Home Investment Partnerships Program. Also, in our opinion, except for the noncompliance described in the fourth paragraph, Oktibbeha County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its Byrne Formula Grant Program for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Oktibbeha 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 Oktibbeha 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.

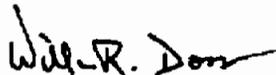
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Oktibbeha County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-2 through 05-11.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over compliance 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, we consider the reportable conditions described above 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

September 15, 2006



# 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  
Oktibbeha County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Oktibbeha County, Mississippi, as of and for the year ended September 30, 2005. 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 Oktibbeha 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 Oktibbeha 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, Oktibbeha 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 Oktibbeha 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

September 15, 2006

OKTIBBEHA COUNTY  
 Schedule of Purchases Not Made From the Lowest Bidder  
 For the Year Ended September 30, 2005

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>
08/04/05	Motorgraders	\$ 182,250	Thompson Machinery	\$ 137,910	Residual value, rotation program, and experience with machine.

OKTIBBEHA COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2005

Schedule 2

Our test results did not identify any emergency purchases.

OKTIBBEHA COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2005

Schedule 3

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

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements:        |               |
|    | Governmental activities  | Unqualified   |
|    | General Fund   | Unqualified   |
|    | Countywide Road Maintenance Fund   | Unqualified   |
|    | Countywide Bridge and Culvert Fund   | Unqualified   |
|    | Aggregate remaining fund information   | Qualified     |
| 2. | Internal control over financial reporting:   |               |
|    | a. Material weakness identified?   | Yes           |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the primary government financial statements?                 | No            |

***Federal Awards:***

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | Yes           |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs:              |               |
|    | a. HOME investment partnerships program, CFDA #14.239                                  | Adverse       |
|    | b. Byrne formula grant program, CFDA #16.579   | Qualified     |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133?        | Yes           |
| 7. | Federal programs identified as major programs:   |               |
|    | a. HOME investment partnerships program, CFDA #14.239                                  |               |
|    | b. Byrne formula grant program, CFDA #16.579   |               |
| 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            |

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

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

Section 2: Financial Statement Findings

Reportable Condition - Material Weakness

Board of Supervisors.

05-1. Finding

Control procedures were not in place over the reporting of solid waste billings, collections and accounts receivable. As reported in the prior year's audit report, we noted the following problems with solid waste reports:

- a. A detailed aged accounts receivable report for solid waste fees was not prepared.
- b. The beginning balances for the solid waste user fee reports for each month did not match the prior month ending balances.
- c. Numerous adjustments were reported on the solid waste user fee reports. The net effect of these adjustments for the 2004-2005 fiscal year was an increase of \$269,306 to the account balances. However, when we tried to verify the origin of some of these adjustments by looking at individual account histories, there was no record of the adjustments ever having occurred.

Therefore, the Independent Auditor's Report on the aggregate remaining fund information is qualified because we were not able to satisfy ourselves as to the fair presentation of the solid waste accounts receivable in the Other Governmental Funds.

Recommendation

The Board of Supervisors should ensure that control procedures are in place to allow for the preparation of a detailed aged accounts receivable schedule for solid waste fees to properly report the accounts receivable due to the county at net realizable value in the financial statements. The Board of Supervisors should also ensure that the beginning balances for the solid waste user fee reports agree with the ending balances from the prior month's report and that all adjustments to solid waste account balances are adequately documented and approved.

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Section 3: Federal Award Findings and Questioned Costs

05-2. Finding

14.239 Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Reportable Condition - Material Weakness  
Material Noncompliance

Compliance Requirement: Eligibility - Controls Over Eligibility Should be Strengthened

The OMB *Circular A-133 Compliance Supplement* specifies that only low-income or very low-income persons, as defined in the *Code of Federal Regulations* Title 24 CFR Section 92.2, can receive housing assistance. Title 24 CFR Section 92.203 specifies that annual income shall include income from all family members. Furthermore, the *Oktibbeha County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* which are required as a special condition of the grant agreement, require that the total combined income of all household members shall be used to determine the income limits, that applicants will be required to identify their household assets and households with assets in excess of established amounts will automatically be considered ineligible for assistance regardless of their annual income and the home must be owned and occupied by applicants at least one year prior to the date of application for assistance. In addition, the special conditions of the grant specify that the income of each household must be verified since six months have lapsed since verification of income and that funds may not be expended for reconstruction on a unit prior to the submission of a title opinion evidencing clear ownership of the unit by the household being assisted that was submitted in the application.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that:

- (1) All family members were identified and their income included in determining if the family was income eligible for the HOME program. The income of one family was verified two years prior to the time the HOME assistance was provided. As a result, some families that were not income eligible may have received HOME program assistance.
- (2) Household assets of applicants were not identified and considered in determining if the applicants were eligible for the HOME program. As a result, some families that had household assets in excess of established limits may have received HOME program assistance.
- (3) Title searches were performed to verify ownership of any of the properties. Only copies of deeds were included in applicant's files.

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Recommendation

The Oktibbeha County Board of Supervisors should take steps to ensure that controls are in place to ensure that only eligible applicants receive HOME program assistance by:

- (1) Ensuring that all family members are identified and their incomes are included in determining if the family is income eligible for HOME program assistance. We also recommend that the Board of Supervisors require that the applicants sign a certification stating that the family information provided including names, ages, social security numbers and income is complete and accurate. Furthermore, the Board of Supervisors should ensure that each family's income is verified within six months of the family receiving HOME assistance.
- (2) Ensuring that the household assets of applicants are identified and the value of these assets is used in determining if the applicant has household assets in excess of established limits. We also recommend that the Board of Supervisors require that the applicants sign a certification stating that the asset information provided is complete and accurate and that the Board of Supervisors identify any land or automobiles owned by applicants through records in the Tax Collector's office.
- (3) Ensuring that title searches are performed to verify ownership of property as well as any liens against the property.

05-3. Finding

14.239 Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Reportable Condition - Material Weakness

Compliance Requirement: Special Tests and Provisions - Controls Over Determining the Ranking of Applicants Should be Strengthened

The Oktibbeha County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines which are required as a special condition of the grant agreement, specify that applicants shall be ranked according to priority based on very low-income households and homes most in need of repairs. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that applicants were ranked according to priority. The grant files did include a waiting list for the HOME program. However, applicants who received HOME program assistance were not at the top of the list or noted as high priority. As a result, there was no documentation to support that applicants receiving HOME program assistance were those with the highest priority.

Recommendation

The Oktibbeha County Board of Supervisors should take steps to ensure that controls are in place to ensure that applicants receiving assistance are evaluated and ranked according to the priority areas established in the Oktibbeha County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines.

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

05-4. Finding

14.239 Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Questioned Costs: \$63,828

Reportable Condition - Material Weakness  
Material Noncompliance

Compliance Requirement: Special Tests and Provisions - Controls Over Identification and Selection of Eligible Contractors Should Be Strengthened

The *Oktibbeha County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* which are required as a special condition of the grant agreement, specify the requirements governing all contracts for home rehabilitation. The following items are required:

- (1) All contracts for home rehabilitation shall be made between the homeowner and contractor. The homeowner is to solicit bids from a list of contractors provided by the grant administrator. The homeowner is to make the final selection of the contractor and award the contract to the responsible bidder that possesses the ability to perform successfully under all material terms and conditions of the bid packages and whose bid is lowest in price. Homeowners who select a higher bid shall be responsible for amounts above the lowest bid.
- (2) Contractors must submit information to the grant administrator for review of qualifications to be placed on the contractor list. At a minimum, contractors must provide three references of contracted work within the previous 12 months, the amount of each contract, and the type and quality of work performed under each contract; two local building suppliers' credit references; certificate of liability insurance and/or workmen's compensation insurance; and a copy of State of Mississippi contractor's license.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that bids were solicited for contracts for home rehabilitation. As a result, an excessive amount may have been paid for the reconstruction of the applicant's homes. The true values of the new homes as documented on the property record cards in the Tax Assessor's office are substantially less than the amounts paid through the HOME program to construct the homes indicating that excessive amounts might have been paid for these reconstructed homes. Also, the amounts actually paid exceeded the amounts stated in the initial cost estimates prepared by the building inspector. The excess payments made during the 2004-2005 fiscal year totaled \$28,152 which have already been identified as questioned costs in this and other findings in this report.

During our audit testing procedures, we noted no evidence that control procedures were in place to ensure that the contractors submitted the required information to the grant administrator. The contractor for the reconstruction of one home did not have a State of Mississippi contractor's license. As a result, this contractor may not have the skills, knowledge and experience needed to properly reconstruct this home. The payments made to this unlicensed contractor totaled \$63,828.

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Recommendation

The Oktibbeha County Board of Supervisors should take steps to ensure that the homeowner solicits bids for the reconstruction of their homes in order to obtain the lowest possible price. They should ensure that all bids received are properly documented and tabulated and that any amounts in excess of the lowest bid are paid by the homeowner.

The Oktibbeha County Board of Supervisors should take steps to ensure that all contractors submit the required information to the grant administrator and that this information is retained in the grant files. They should also ensure that only contractors with a valid State of Mississippi contractor's license are allowed to enter into contracts with homeowners for reconstruction of their homes and that no payments from HOME funds are made to contractors who are not licensed.

05-5. Finding

14.239 Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Questioned Costs: \$12,000  
Reportable Condition - Material Weakness  
Material Noncompliance

Compliance Requirement: Allowable Costs/Cost Principles - Controls Over Allowable Costs Should Be Strengthened

The Basic Guidelines, Section 1j of OMB Circular A-87, requires that costs be adequately documented. Internal controls are required to be in place to ensure that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that underlying records and documents were checked for allowable costs. As a result, payments totaling \$12,000 were made to a contractor without adequate documentation to support the payments.

Recommendation

The Oktibbeha County Board of Supervisors should take steps to ensure that controls are in place to ensure that all costs incurred are allowable and that the supporting records document these costs as being true and accurate, thereby ensuring that all costs are adequately documented prior to paying these costs.

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

05-6. Finding

14.239 Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Reportable Condition - Material Weakness  
Material Noncompliance

Compliance Requirement: Special Tests and Provisions - Controls Over Inspections and Acceptance of Work Should Be Strengthened

The *Oktibbeha County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* which are required as a special condition of the grant agreement, require that a Mississippi Development Authority, Community Service Division inspector make interim inspections to ensure that the rehabilitation is performed according to the contracts. These interim inspections shall also be made to verify the progress of the work before progress payments are made. The certified Mississippi Development Authority, Community Service Division inspector, grant administrator and homeowner shall make the final acceptance of rehabilitation work. Copies of inspection reports are required to be maintained in project files.

During our audit testing procedures, we noted no evidence that control procedures were in place to ensure that an adequate number of interim inspections were made of the work performed to ensure that the reconstruction was performed according to the contracts. Three of the four homes being reconstructed only had one interim inspection. These interim inspections indicated that the reconstruction on these three homes was 80% complete within 12 days from the start of construction. As a result, substandard work could have been performed or substandard materials could have been used in the reconstruction of these homes.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that the Mississippi Development Authority, Community Service Division inspector, grant administrator and homeowner made the final acceptance of the rehabilitation work. For the three home reconstructions that were completed in the 2004-2005 fiscal year, there was no signed certificate of completion indicating the homeowner's satisfaction with the construction nor was there a signed application for final payment indicating the homeowner's approval for the final payment to the contractor. The only certificates of completion and applications for final payment that we found during our audit, were blank except for the inspector's signature and a contractor's signature. No information in regard to the project, amounts, dates or homeowner's signature were completed. As a result, final payment could have been made to the contractor without the homeowner's knowledge and consent.

Recommendation

The Oktibbeha County Board of Supervisors should take steps to ensure that controls are in place over inspections and acceptance of work performed by requiring two or more interim inspections be performed during the reconstruction of homes and ensuring that the time frame for the completed work is reasonable. They should also ensure that the homeowner signs a certificate of completion and application for final payment to indicate their approval of the work performed and their authorization of the final payment to the contractor.

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

05-7. Finding

14.239 Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Questioned Costs: \$52,100

Reportable Condition - Material Weakness  
Material Noncompliance

Compliance Requirement: Special Tests and Provisions - Controls Over Assistance Exceeding Maximum Amounts Should Be Strengthened

The *Oktibbeha County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* which are required as a special condition of the grant agreement, specify the maximum assistance that shall be granted under the HOME program and also provide that additional assistance exceeding the maximum amounts will be approved by resolution of the governing authority. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that payments for assistance provided under the HOME program did not exceed the maximum amounts allowed. As a result, payments in excess of the maximum amounts allowed were made without resolutions authorizing these excess payments being recorded in the Board of Supervisors' minutes. The amounts of these excess payments were \$87,176 of which \$35,076 has already been identified as questioned costs in other findings in this report, leaving a remaining balance of \$52,100.

Recommendation

The Oktibbeha County Board of Supervisors should initiate controls to ensure that maximum assistance amounts allowed are not exceeded. The Board of Supervisors should also ensure that payments in excess of maximum amounts allowed are not made without first authorizing these excess amounts through a resolution recorded in the board minutes.

05-8. Finding

14.239 Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Reportable Condition - Material Weakness  
Material Noncompliance

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Compliance Requirement: Reporting - Controls Over Requests for Cash and Request for Cash Summary Report Sheets Should Be Strengthened

The HOME program grant agreement specifies that all policies, terms, conditions and provisions of the current notebook entitled HOME Investment Partnerships Program, HOME Implementation Manual and CSD Policy Statements are also incorporated into this agreement and subgrantee agrees to fully comply therewith. This manual requires the preparation and submission of a Request for Cash and a Request for Cash Summary Report Sheet to be used to requisition operating funds. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that information included in these reports is correct. Erroneous information was reported on two Request for Cash Summary Report Sheets. These Request for Cash Summary Report Sheets did not list the correct vendor names and amounts paid to the vendors.

Recommendation

The Oktibbeha County Board of Supervisors should initiate controls to ensure that all information reported on the Request for Cash and Request for Cash Summary Report Sheet is accurate. The Board of Supervisors should ensure that the information included in these reports agrees with the information in the accounting records.

05-9. Finding

14.239                      Home Investment Partnerships Program  
Grant numbers M03-SG-280-920 and M04-SG-280-920,  
U.S. Department of Housing and Urban Development/Passed-through  
the Mississippi Development Authority

Reportable Condition - Material Weakness

Compliance Requirement: Special Tests and Provisions - Controls Over Program Assurance Provisions Should Be Strengthened

In the State of Mississippi Home Investment Partnerships Program Assurances included in the HOME program grant agreement, the county assures and certifies that it understands that project activities shall comply with the applicable codes and standards approved by the Southern Building Code Congress International, Inc., Model Energy Codes, MDA, or locally adopted codes, whichever is more stringent.

During our audit testing procedures, we noted no evidence in the grant files that control activities were in place to ensure the reconstruction of homes was in compliance with these standards as required. While the construction unit specifications required that all electrical, plumbing, mechanical and carpentry construction be done to Southern Building Code requirements and the contracts referenced these specifications, there were no documents certifying that these units were in compliance with the Southern Building Code. The only compliance certificate found during our audit was blank except for the inspector's signature. No other information was provided on this certificate to indicate the identity or address of the dwelling unit. As a result, the reconstruction of these homes may not be in compliance with the Southern Building Code as required.

Recommendation

The Oktibbeha County Board of Supervisors should take steps to ensure that the reconstruction of these homes is performed in compliance with the Southern Building Code.

OKTIBBEHA COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

05-10. Finding

16.579           Byrne Formula Grant Program  
Grant numbers 03NM2311 and 04NM1531,  
U.S. Department of Justice - Office of Justice Programs/Passed-through  
the Mississippi Department of Public Safety

Reportable Condition - Material Weakness  
Material Noncompliance

Compliance Requirement: Reporting - Controls Over Reporting Should be Strengthened

The Division of Public Safety Planning's Guidelines for Program Income require that a Program Income Status Report and an Asset Seizures and Forfeiture Report be filed quarterly. During our audit testing procedures, we noted no evidence that control procedures were in place to ensure that the Program Income Status Report and the Asset Seizures and Forfeiture Reports were filed. No Program Income Status Reports or Asset Seizures and Forfeiture Reports were filed during the 2004-2005 fiscal year.

Recommendation

The Board of Supervisors should ensure that the Tri-County Narcotics Task Force takes steps to put controls in place so that the Program Income Status Report and the Asset Seizures and Forfeiture Report are filed quarterly as required. Failure to file these reports as required could result in the loss of future grant funding.

05-11. Finding

16.579           Byrne Formula Grant Program  
Grant numbers 03NM2311 and 04NM1531,  
U.S. Department of Justice - Office of Justice Programs/Passed-through  
the Mississippi Department of Public Safety

Reportable Condition - Material Weakness

Compliance Requirement: Program Income - Controls Over Program Income Should be Strengthened

The Division of Public Safety Planning's Guidelines for Program Income require that program income that is a direct result of grant activities such as income generated from the sale of seized and forfeited assets or from seized and forfeited money must be used for purposes and under the conditions applicable to the use of grant funds. The sub-grantee is responsible for tracking and accounting for the federal share of program income. During our audit, we noted no evidence that controls were in place to ensure that program income is properly accounted for as required. The Tri-County Narcotics Task Force does not have a system in place to track nor account for program income.

Recommendation

The Board of Supervisors should ensure that the Tri-County Narcotics Task Force takes steps to put controls in place so that all program income can be tracked from the point of seizure until the program income is expended. Failure to properly track and account for program income could result in program income being expended for activities not authorized by the grant.

OKTIBBEHA COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

OKTIBBEHA COUNTY

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# DON C. POSEY

COUNTY ADMINISTRATOR

OKTIBBEHA COUNTY

BOARD OF SUPERVISORS  
CARL CLARDY  
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TERRY KELLUM  
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## CORRECTIVE ACTION PLAN

February 14, 2007

Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Gentlemen:

OkTibbeha County respectfully submits the following corrective action plan for the year ended September 30, 2005.

The findings from the schedule of Findings and Questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

### SECTION 2: FINANCIAL STATEMENT FINDINGS

- 05-1 **Corrective Action Planned:** We will change the detailed aged accounts receivable schedule report to show a net realizable value in our financial statements. We will also ensure that beginning balances for solid waste user fee reports agree with the ending balance from the prior months report.

Anticipated Completion Date: July 31, 2006

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

### SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- 05-2 **Corrective Action Planned:** A Project Checklist will be designed that ensures all steps toward applicant qualification will be met. Step One will ensure that all income producers are identified and their income used to determine applicant's eligibility. The applicant will be required to sign the checklist verifying the information is correct within six months of assistance. Step Two ensures that assets, including land and automobiles, are identified and used to determine if assets are within established limits.

Step Three will ensure that title searches are preformed to verify ownership of property as well as any liens against the property. Vehicle ownership will be checked and verified thru records in the Tax Collectors office.

Anticipated Completion Date: July 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

- 05.3 **Corrective Action Planned:** We will take the necessary action to ensure that applicants are evaluated and ranked according to established guidelines set forth in the Home Program Rehabilitation Policies, Procedures and Guidelines.

Anticipated Completion Date: May 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

- 05.4 **Corrective Action Planned:** Part Two of our Project Checklist will be directed at identification and selection of eligible contractors, which will include State of Mississippi Contractors' licenses, contractor's liability insurance, credit references and references from completed projects. Sealed bids will be required for all Home Projects.

Anticipated Completion Date: May 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

- 05.5 **Corrective Action Planned:** Part Three of our Project Checklist addresses documentation and verification of allowable expenditures prior to payments to Contractors.

Anticipated Completion Date: May 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

- 05.6 **Corrective Action Planned:** Part Four of our Project Checklist will address Contract Date, Notice to Proceed Date, three (3) Inspection Dates, and a Homeowners Certificate of Completion, which must be signed authorizing final payment to the Contractor.

Anticipated Completion Date: May 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

- 05.7 **Corrective Action Planned:** We will develop controls that ensure additional grant funding must be requested before exceeding the maximum assistance amount approved. In addition to a request for more funding, a Board Resolution will be required before payment is made to Contractor.

Anticipated Completion Date: May 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

- 05.8 **Corrective Action Planned:** Documentation will now be required to validate the Request for Cash Document. Upon proper documentation the Board will authorize payment by Board Order.

Anticipated Completion Date: May 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

- 05.9 **Corrective Action Planned:** Part Five of our Project Checklist will require the inspector to certify that construction complies with the Southern Building Codes.

Anticipated Completion Date: May 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

05.10 **Corrective Action Planned:** I have put in place a system whereby applications for reimbursement must be accompanied by proof that the quarterly Program Income Status Reports and Asset Seizure and Forfeiture Reports have been filed with the Department of Public Safety.

Anticipated Completion Date: March 1, 2007

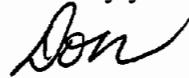
Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

05.11 **Corrective Action Planned:** We will keep a ledger of all Seized and Forfeited Assets and Cash. All program income will be tracked and accounted for as well as inventoried when required.

Anticipated Completion Date: March 1, 2007

Contact Person Responsible for Corrective Action: Don C. Posey, County Administrator

Sincerely yours,



Don C. Posey  
County Administrator  
(662) 323-1520 (O)  
(662) 418-9976 (C)