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**TOWN OF MT. OLIVE**

**AUDIT REPORT**

**SEPTEMBER 30, 2003**

**TOWN OF MT. OLIVE**  
**For the Year Ended September 30, 2003**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Board of Aldermen  
Town of Mt. Olive, Mississippi

I have audited the accompanying general-purpose financial statement of the Town of Mt. Olive, Mississippi, as of and for the year ended September 30, 2003, as listed in the Table of Contents. This general-purpose financial statement is the responsibility of Town of Mt. Olive, Mississippi, management. My responsibility is to express an opinion on this general-purpose financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note A, Town of Mt. Olive, Mississippi, prepares its general-purpose financial statement on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the general-purpose financial statement referred to above presents fairly, in all material respects, the cash and unencumbered cash balances of Town of Mt. Olive, Mississippi, as of September 30, 2003, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 5, 2004, on my consideration of Town of Mt. Olive's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statement taken as a whole. 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 general-purpose financial statement of Town of Mt. Olive, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statement and, in my opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statement taken as a whole.

Charles R. Hart  
Certified Public Accountant  
Wesson, Mississippi  
March 5, 2004

**Town of Mt. Olive**  
**Combined Statement of Receipts & Disbursements (All Funds)**  
**For the Year Ended September 30, 2003**

	Governmental Funds		Proprietary	Totals	
	<u>General</u>	<u>Special</u>	Funds	(Memo Only)	
		<u>Revenue</u>	<u>Enterprise</u>	<u>2003</u>	<u>2002</u>
Cash Receipts					
Taxes					
General Property Taxes	110,987			110,987	98,332
License and Permits					
Utility Franchise Charges	20,507			20,507	17,659
Other	1,537			1,537	574
Intergovernmental Receipts					
Federal Sources					
Home Program		301,626		301,626	1,139
CDBG Income		57,010		57,010	199,081
State Grants					
COPS Program					2,400
General Municipal Aid	465			465	465
Homestead Exemption	9,578			9,578	9,035
State Shared Receipts					
Sales Taxes	58,092			58,092	56,483
Fire Protection	2,149			2,149	3,804
Gasoline Taxes	2,556			2,556	2,600
Grand Gulf	7,458			7,458	7,752
Rail Car Taxes	1,723			1,723	
Law Enforcement Grant					3,500
County Grants					
Fire Allocation	8,790			8,790	9,646
Enterprise Operating Income					
Water & Sewer			114,242	114,242	119,477
Garbage Fees			27,620	27,620	26,709
Other Receipts					
Fines & Forfeits	22,831			22,831	18,694
Refunds	3,792			3,792	817
Donations	1,050			1,050	825
Interest	328	63	505	896	3,515
Rent	13,880			13,880	9,460
Loan Proceeds	16,055			16,055	
Meter Deposits-Net					2,782
Transfer	1,127	2,000	1,280	4,407	15,435
Surplus Property	750			750	
Miscellaneous	1,279		1,846	3,125	
<b>Total Cash Receipts</b>	<b>284,934</b>	<b>360,699</b>	<b>145,493</b>	<b>791,126</b>	<b>610,184</b>

*The accompanying notes are an integral part of this financial statement.*

**Town of Mt. Olive**  
**Combined Statement of Receipts & Disbursements**  
**(All Funds)**  
**For the Year Ended September 30, 2003**

	Governmental Funds		Proprietary	Totals	
	Special		Funds	(Memo Only)	
	<u>General</u>	<u>Revenue</u>	<u>Enterprise</u>	<u>2003</u>	<u>2002</u>
Cash Disbursements					
General Government	178,930			178,930	156,093
Public Safety					
Police	76,417	3,570		79,987	91,853
Fire	13,698			13,698	14,038
Public Works	27,235			27,235	16,164
Culture & Recreation	2,732			2,732	3,000
Debt Service - Interest	250		13,522	13,772	17,714
Enterprises					
Water & Sewer			95,916	95,916	100,439
Garbage			38,104	38,104	29,931
Other Disbursements					
Transfer	3,280		1,127	4,407	15,435
Bank Loan Repaid-Car	1,657			1,657	3,794
Capital Outlay		59,010		59,010	204,221
Public Facilities					
GECC Loan Repaid			5,121	5,121	4,890
CAPS Loan Repaid			4,988	4,988	3,724
Home Program		301,975		301,975	
Total Cash Disbursements	<u>304,199</u>	<u>364,555</u>	<u>158,778</u>	<u>827,532</u>	<u>661,296</u>
Excess of Receipts Over (Under)					
Disbursements	(19,265)	(3,856)	(13,285)	(36,406)	(51,112)
Cash - Beginning	<u>80,072</u>	<u>12,016</u>	<u>136,307</u>	<u>228,395</u>	<u>279,507</u>
Cash - Ending					
Restricted		8,160	108,337	116,496	228,395
Unrestricted	<u>60,807</u>		<u>14,685</u>	<u>75,493</u>	
Total Ending Cash	<u>60,807</u>	<u>8,160</u>	<u>123,022</u>	<u>191,989</u>	<u>228,395</u>

*The accompanying notes are an integral part of this financial statement.*

# **Town of Mt. Olive, Mississippi**

## **Notes to the Financial Statement**

### **For the Year Ended September 30, 2003**

Note A: Summary of Significant Accounting Policies

General Information

The Town of Mt. Olive, Mississippi, operates under the Mayor/Board of Alderman form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the Town consists of all the funds of the Town.

Fund Accounting

The accounts of the Town of Mt. Olive are organized on the basis of funds, each of which is considered a separate accounting entity.

Governmental Funds

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund

The Proprietary Funds are used to account for activities that are similar in nature to profit oriented entities. This fund accounts for the Water & Sewer Department activities.

Special Revenue

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes because of legal requirements or administrative action.

Basis of Accounting

Financial statements are prepared on a cash receipts and disbursements basis; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Restricted Assets

The Water and Sewer Fund (an Enterprise Fund), based on certain bond covenants, is required to establish and maintain prescribed amounts of resources consisting of cash and temporary investments that can be used only to service outstanding debt and make major repairs or improvements to the existing water and sewer system.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to serve that portion of the applicable appropriation, is not used by the Town of Mt. Olive.

**- continued -**  
**Town of Mt. Olive, Mississippi**  
**Notes to the Financial Statement**  
**For the Year Ended September 30, 2003**

Budgets

The Town of Mt. Olive follows these procedures in establishing the budgets:

1. Mayor prepares the proposed expenditure budgets during August of each year.
2. The Mayor and Clerk prepare estimates of available revenue.
3. Expenditure budgets are reviewed by the Mayor and Clerk and then submitted to the Board of Aldermen for review. Revisions are then communicated to the department heads.
4. Budgeted revenues and expenditures are balanced and presented to the Board of Aldermen by August 30. The final budget is approved in September.
5. The budget is formally amended as needed by the Board of Aldermen during the year.
6. The Town of Mt. Olive prepares an annual budget for all funds on a cash basis.

Compensated Absences

The Town of Mt. Olive does not compensate employees for unused vacation or sick leave.

Note B: Report Classifications

Receipts and disbursements were classified according to requirements of the State Audit Department for small towns in the State of Mississippi.

Note C: Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on January 1, for the preceding calendar year. Taxes are payable by February 28, with interest and damages accruing after that date. Tax sales for unpaid real property taxes are held in August. The Town of Mt. Olive bills and collects its own property taxes. The Town's levy on automobile taxes is collected by Covington County and remitted to the Town monthly.

Tax millage levies for the current fiscal year were as follows:

<u>Fund</u>	<u>Millage</u>	<u>Purpose</u>
General Fund	30.85	General
Fire Fund	<u>.25</u>	Fire Protection
	31.10	

Note D: Defined Benefit Pension Plan

The Town of Mt. Olive, 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 (601) 359-3589 or 1-800-444-PERS.

**- continued -**  
**Town of Mt. Olive, Mississippi**  
**Notes to the Financial Statement**  
**For the Year Ended September 30, 2003**

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the Town of Mt. Olive, Mississippi, is required to contribute at an actuarial determined rate. The current rate is 9.75% of annual covered payroll. The contribution of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Mt. Olive's contributions to PERS for the year ending September 30, 2003, was \$8,657, equal to the required contributions for the year.

Note E:

Cash and Investments

Governmental accounting standards require that the carrying amounts of cash and investments as of the balance sheet date be categorized according to the level of credit risk associated with the Town of Mt. Olive's cash and investments at that time. The level of credit risk is defined as follows:

Category 1 - Insured (including government securities), registered or collateralized with securities held by the Town of Mt. Olive or its agent in the Town of Mt. Olive's name.

Category 2 - Uninsured and unregistered, collateralized with securities held by the counterparty's trust department or agent in the Town of Mt. Olive's name.

Category 3 - Uncollateralized, including balances collateralized with securities held by the pledging financial institution.

A summary of the carrying value of investments by category follows:

	<u>Category 1</u>	<u>Total</u>
September 30, 2003		
Checking & Savings Deposits	191,989	191,989

All bank balances of deposits, including investments consisting of certificates of deposit, as of September 30, 2003, are entirely insured or collateralized with securities held by depository banks or their agents in the Town of Mt. Olive's name.

Note F:

Commitments and Contingencies

Grant monies received and disbursed by the Town of Mt. Olive are for specific purposes and are subject audit and review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Town does not believe that such disallowances, if any, would have a material effect on the financial position of the Town.

The Town belongs to the Mississippi Municipal Liability Plan which provides liability insurance coverage for most of the municipalities in Mississippi. Under this arrangement, the plan has the right to assess the members of the plan group if the assets of the plan are insufficient to cover its obligations. The Town management is not aware of any impending assessments by the plan.

**Town of Mt. Olive, Mississippi  
For the Year Ended September 30, 2003**

**SUPPLEMENTAL INFORMATION**

**Town of Mt. Olive  
Schedule of Investments – All Funds  
For the Year Ended September 30, 2003**

None

*The accompanying notes are an integral part of this financial statement.*

**Town of Mt. Olive  
Schedule of Long-Term Debt  
For the Year Ended September 30, 2003**

	Balance Outstanding Oct. 1, 2002	Transactions During Fiscal Year		Balance Outstanding Sept. 30, 2003
		Issued	Redeemed	
Revenue Bonds:				
Water & Sewer System @ 7.125%	208,472		5,121	203,351
General Debt				
Union Planters-Police Car Loan @ 8.00%	1,657		1,657	
CAPS Loan @ 4.25%	43,091		4,988	38,103
Total	<u>253,220</u>	<u>0</u>	<u>11,766</u>	<u>241,454</u>

*The accompanying notes are an integral part of this financial statement.*

**Town of Mt. Olive  
Schedule of Surety Bonds Coverage  
For the Year Ended September 30, 2003**

Name	Position	Company	Bond
Robert E. McNair	Mayor	C N A Surety	25,000
W. W. Blain	Mayor Pro-Tem	Brierfield Ins. Co.	2,500
Ramon Johnston	Alderman	Brierfield Ins. Co.	2,500
Roger Pittman	Alderman	Brierfield Ins. Co.	2,500
Kathryn McGee	Alderman	Brierfield Ins. Co.	2,500
George Powell	Alderman	Brierfield Ins. Co.	2,500
Janette Comans	City Clerk	Brierfield Ins. Co.	25,000
Gerrie Turner	Assistant Clerk	Brierfield Ins. Co.	15,000
Phillip Purvis	Policeman	Brierfield Ins. Co.	25,000
Curtis Walters	Policeman	Brierfield Ins. Co.	25,000
Andy Graham	Policeman	Brierfield Ins. Co.	25,000
Clifton Morgan	Policeman	Brierfield Ins. Co.	25,000
Brad Massengale	Policeman	Brierfield Ins. Co.	25,000

*The accompanying notes are an integral part of this financial statement.*

**Town of Mt. Olive**  
**Solid Waste Management Services Schedule**  
**Full Cost Accounting**  
**Summary of Costs Report**  
**For the Year Ended September 30, 2003**

Operating Costs (Direct)		
Personnel	23,667	
Supplies & Fuel	14,437	
Depreciation	<u>2,202</u>	
 Total All Costs		<u>40,306</u>
 Supplemental Information		
Total Cost of Collection		<u>40,306</u>
 Total Cost Per Unit		<u>43.66</u>

*The accompanying notes are an integral part of this financial statement.*

**Town of Mt. Olive**  
**GMAC Commercial Mortgage Corporation Supplemental Letter**  
**For the Year Ended September 30, 2003**

1. This compilation was prepared using standards established by the American Institute of Certified Public Accountants and the State of Mississippi – Department of Audit.
2. The accounting records are adequate.
3. Internal control was adequate over GMAC funds.
4. The physical control over assets was adequate.
5. The Town of Mt. Olive, Mississippi, is in compliance with the maintenance of cash reserves.
6. The Town of Mt. Olive, Mississippi, is required in the loan agreement to have a 1.2 to 1 ratio of revenues in excess of operating expenditures plus debt service. The ratio for the year ended September 30, 2003, was .92 to 1. The Town of Mt. Olive, Mississippi, was not in compliance with its ratio requirements for the year ended September 30, 2003. The town officials are currently evaluating this non-compliance issue.
7. The financial reports included in the compilation are in agreement with the accounting records of the town.
8. All money is kept in institutions insured by the federal government.
9. Insurance coverage appears to be adequate.
10. The Town of Mt. Olive, Mississippi, is exempt from state and federal income tax.
11. Accounts receivable as of September 30, 2003, are aged as follows:

Current	\$4,735
Over 30 days	<u>2,517</u>
Total	<u>\$7,252</u>

12. Long-Term Debt  
Direct financing by the GMAC Commercial Mortgage Corporation consists of 7.125% Revenue Bonds dated June 27, 1986. The issue was made for \$256,000 to be repaid in 35 years. An equal amortized payment in the amount of \$20,399.20 will be due on the anniversary date of the bond.
13. Insurance Coverage

Company	Type of Policy	Coverage
MS Municipal Liability Plan	Combined Plan Coverage	500,000
National Union Insurance Co.	Fire Fighters Policy	10,000/2,500/100
South Group Ins. & Fin Services	Liability-Police Cars	72,925
Travelers Insurance	Standard Fire Policy	925,900
Daigle & Associates	Equipment Floater	16,055

**Town of Mt. Olive**  
**GMAC Commercial Mortgage Corporation Supplemental Letter**  
**For the Year Ended September 30, 2003**

## 14. Board of Aldermen &amp; Public Officials

Name	Position	Term Ends
Robert E. McNair	Mayor	06/08/2005
W. W. Blain	Mayor Pro-Tem	06/08/2005
Ramon Johnston	Alderman	06/08/2005
Roger Pittman	Alderman	06/08/2005
Kathryn McGee	Alderman	06/08/2005
George Powell	Alderman	06/08/2005
Janette Comans	City Clerk	Appointed

*The accompanying notes are an integral part of this financial statement.*

**Town of Mt. Olive**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2003**

Federal Grantor/Pass Thru Grantor Program Title	Federal CFDA Number	Grant ID Number	Agency or Pass-Thru Number	Federal Disbursements Expenditures
U.S. Department of Housing & Urban Dev. MS Dept of Economic & Community Dev. Community Development Block Grant	14.219	1111	4-270-PF01	27,570
U.S. Department of Housing & Urban Dev. MS Dept of Economic & Community Dev. Community Development Block Grant	14.219	1118	1118-01-270-PF-01	29,440
U.S. Department of Housing & Urban Dev. MS Dept of Economic & Community Dev. Homeowner Rehabilitation	14.239	Home 2002	M02-SG-28-01-0956	<u>301,626</u>
Total Expenditure of Federal Awards				<u><u>358,636</u></u>

*The accompanying notes are an integral part of this financial statement.*

**Town of Mt. Olive**  
**Schedule of Findings and Questioned Cost**  
**For the Year Ended September 30, 2003**

- I. Summary of Audit Results:
1. The auditor's report expresses an unqualified opinion on the general-purpose financial statement of the Town of Mt. Olive, Mississippi.
  2. No reportable conditions were disclosed during the audit of the general-purpose financial statement.
  3. No instances of non-compliance material to the general-purpose financial statement of Town of Mt. Olive, Mississippi, were disclosed during the audit.
  4. No instances of reportable conditions were disclosed during the audit of internal control over major federal award programs.
  5. The auditor's report on compliance for the major federal award program for Town of Mt. Olive, Mississippi, expresses an unqualified opinion.
  6. There are no audit findings relative to the major federal award program for the Town of Mt. Olive, Mississippi.
  7. The programs tested as major program included: U.S. Department of Housing and Urban Development, Community Development Block Grant – CFDA No. 14.219.
  8. The threshold for distinguishing Types A and B programs were \$300,000.
  9. Town of Mt. Olive, Mississippi, was determined to be a high-risk auditee.
  10. A prior year audit was not required related to federal programs; therefore, there were no prior year findings.
- II. Findings related to the financial statement which are required to be reported in accordance with governmental auditing standards: none
- III. Findings and questioned costs for federal awards: none

*The accompanying notes are an integral part of this financial statement.*

**Charles R. Hart**  
**Certified Public Accountant**  
**P.O. Box 336**  
**Wesson, Mississippi 39191**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Mayor and Board of Aldermen  
Town of Mt. Olive, Mississippi

I have audited the general-purpose financial statement of Town of Mt. Olive, Mississippi, as of and for the year ended September 30, 2003, and have issued my report thereon dated March 5, 2004. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Mt. Olive, Mississippi's, general-purpose financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such as opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Mt. Olive, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general-purpose financial statement and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor and Board of Aldermen, management, others within the organization, 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.

Charles R. Hart  
Certified Public Accountant  
Wesson, Mississippi  
March 5, 2004

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**Certified Public Accountant**  
**P.O. Box 336**  
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**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**

To the Mayor and Board of Aldermen  
Town of Mt. Olive, Mississippi

I have audited the compliance of Town of Mt. Olive, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. Town of Mt. Olive, Mississippi, 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 Town of Mt. Olive, Mississippi's management. My responsibility is to express an opinion on Town of Mt. Olive, Mississippi's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; 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 I 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 Town of Mt. Olive, Mississippi's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis of my opinion. My audit does not provide a legal determination of Town of Mt. Olive, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

The management of Town of Mt. Olive, 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 my audit, I considered Town of Mt. Olive, 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

-- CONTINUED --

**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**

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

This report is intended solely for the information and use of the Mayor and Board of Aldermen, management, others within the organization, 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.

Charles R. Hart  
Certified Public Accountant  
Wesson, Mississippi  
March 5, 2004

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**Wesson, Mississippi 39191**

**Home: 643-5631**

**Office: 643-5101**  
**or 833-5801**

**Independent Auditor's Report on Compliance  
With State Laws and Regulations**

To the Mayor and Board of Aldermen  
Town of Mt. Olive, Mississippi

I have audited the financial statement of the Town of Mt. Olive, Mississippi, for the year ended September 30, 2003, and have issued my report thereon dated March 5, 2004. As part of my audit, I am requested to report the results of the Compliance Questionnaire completed in conjunction with the audit.

In connection with my audit, nothing came to my attention that caused me to believe that the Town is not substantially in compliance with the material aspects of the requirements of the State Department of Audit, set forth in the Compliance Questionnaire.

This report is intended solely for the information and use of the Mayor, Board of Alderman, management, and the State of Mississippi Department of Audit and is not intended to be and should not be used by anyone other than these specified parties.

Charles R. Hart  
Certified Public Accountant  
Wesson, Mississippi  
March 5, 2004