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TOWN OF OSYKA, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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TOWN OF OSYKA, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

VERBALEE B. WATTS
CERTIFIED PUBLIC ACCOUNTANT

VERBALEE B. WATTS
CERTIFIED PUBLIC ACCOUNTANT
602 West Congress Street
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Brookhaven, MS 39601

Member of Mississippi Society
of Certified Public Accountants

Member of American Institute
of Certified Public Accountants

November 18, 2010

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Town of Osyka, Mississippi

We have audited the accompanying Combined Statement of Cash Receipts and Disbursements, governmental and business-type activities for the Town of Osyka, Mississippi, for the year ended September 30, 2010, as listed in the table of contents, which comprise a portion of the Town's basic financial statements required by accounting principles generally accepted in the United States of America, as applied to the Town's cash receipts and disbursements basis of accounting. These financial statements and schedules are the responsibility of the Town of Osyka's management. Our responsibility is to express an opinion on the Cash Receipts and Disbursements based on our audit.

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

As described in Note 1 to the financial statements, the Town of Osyka, Mississippi, prepares its financial statements on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

Management has not presented government-wide financial statements to display the cash receipts and disbursements of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America, as applied to the Town's cash receipts and disbursements basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements resulting from cash receipts and disbursements transactions for the Town's governmental activities and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the cash receipts and disbursements financial position of the Town of Osyka for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued my report dated November 18, 2010 on our consideration of the Town of Osyka's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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.

Management also has not presented the management's discussion and analysis and other required supplemental information that Governmental Accounting Standards Boards has determined is required to supplement, although not required to be a part of, the basic financial statements.

Town of Osyka, Mississippi
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Our audit was conducted for the purpose of forming an opinion on the Combined Statement of Cash Receipts and Disbursements (All Funds) that comprise the Town of Osyka, Mississippi's basic financial statements. The accompanying supplemental schedules as listed in the table of contents are presented as supplemental information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

VERBALEE B. WATTS & ASSOCIATES

A handwritten signature in cursive script, reading "Verbalee B. Watts".

Verbalee B. Watts
Certified Public Accountant

FINANCIAL STATEMENTS

TOWN OF OSYKA, MISSISSIPPI
COMBINED STATEMENT OF
CASH RECEIPTS AND CASH DISBURSEMENTS - ALL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>	--- Memorandum Only ---	
	General Fund	Special Revenue Fund	Water Fund	Totals 2010	2009
<u>REVENUE RECEIPTS</u>					
General Property	\$ 79,444	\$ -	\$ -	\$ 79,444	\$ 81,490
Licenses and Permits	838	-	-	838	623
Franchise & In-Lieu Tax	11,801	-	-	11,801	13,533
Intergovernmental Revenues:					
General Municipal Aid (From State)	250	-	-	250	251
State Shared Revenues:					
Grand Gulf	4,234	-	-	4,234	4,026
Sales Tax	54,102	-	-	54,102	46,633
Gasoline Tax	1,319	-	-	1,319	1,319
Homestead Exemption Reimbursement	7,922	-	-	7,922	8,275
Charges for Services:					
Water/Sewer Utility	-	-	134,855	134,855	136,711
Garbage	29,123	-	-	29,123	30,366
Fines and Forfeitures	46,488	-	-	46,488	20,459
<u>TOTAL REVENUE RECEIPTS</u>	<u>235,521</u>	<u>-</u>	<u>134,855</u>	<u>370,376</u>	<u>343,686</u>
<u>OTHER RECEIPTS</u>					
Interest	662	-	431	1,093	1,182
Meter Deposits	-	-	3,600	3,600	1,600
Miscellaneous	7,294	-	4,484	11,778	11,984
Bank Loan	20,000	-	-	20,000	-
Transfers in	152,841	-	283,159	436,000	176,100
Grant Funds-Federal	-	376,000	-	376,000	154,788
Grant Funds-State	5,374	60,000	-	65,374	8,403
<u>TOTAL OTHER RECEIPTS</u>	<u>186,171</u>	<u>436,000</u>	<u>291,674</u>	<u>913,845</u>	<u>354,057</u>
<u>TOTAL RECEIPTS</u>	<u>421,692</u>	<u>436,000</u>	<u>426,529</u>	<u>1,284,221</u>	<u>697,743</u>
<u>CASH BALANCE -</u>					
<u>BEGINNING OF YEAR</u>	<u>19,684</u>	<u>-</u>	<u>17,265</u>	<u>36,949</u>	<u>52,757</u>
<u>TOTAL AMOUNT</u>					
<u>TO ACCOUNT FOR</u>	<u>\$ 441,376</u>	<u>\$ 436,000</u>	<u>\$ 443,794</u>	<u>\$ 1,321,170</u>	<u>\$ 750,500</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF OSYKA, MISSISSIPPI
COMBINED STATEMENT OF
CASH RECEIPTS AND CASH DISBURSEMENTS - ALL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Governmental</u> <u>----Activities----</u>		<u>Business-type</u> <u>----Activities----</u>	<u>--- Memorandum Only ---</u> <u>Totals</u>	
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>2010</u>	<u>2009</u>
<u>CASH DISBURSEMENTS</u>					
Salaries	\$ 97,422	\$ -	\$ 40,442	\$ 137,864	\$ 137,892
Retirement	11,490	-	4,847	16,337	15,744
Payroll Taxes	8,424	-	3,232	11,656	11,582
Repairs	2,531	-	33,512	36,043	35,368
Supplies	15,032	-	-	15,032	15,948
Other Services and Repairs	29,508	-	12,010	41,518	22,527
Fire Protection	2,620	-	-	2,620	3,333
Insurance	9,318	-	3,314	12,632	13,813
Garbage WMI	27,878	-	-	27,878	25,821
Legal and Professional	6,240	-	-	6,240	9,397
Equipment Rental	-	-	1,617	1,617	1,527
Utilities	5,195	-	6,231	11,426	13,979
Repairs - Street and Lights	18,304	-	-	18,304	22,541
Library Expense	5,514	-	-	5,514	2,186
Interest on Notes	-	-	5,001	5,001	6,484
Note Payable FHA	-	-	2,700	2,700	2,384
Note Payable SRF	-	-	11,736	11,736	11,220
Note Payable Bancorp	-	-	4,602	4,602	4,413
Travel Expense	1,546	-	2,234	3,780	6,101
Capital Outlay	163,134	-	284,141	447,275	174,991
Transfers Out	-	436,000	-	436,000	176,100
<u>TOTAL DISBURSEMENTS</u>	404,156	436,000	415,619	1,255,775	713,551
<u>CASH BALANCE-END OF YEAR</u>	37,220	-	28,175	65,395	36,949
<u>TOTAL AMOUNT</u> <u>ACCOUNTED FOR</u>	<u>\$ 441,376</u>	<u>\$ 436,000</u>	<u>\$ 443,794</u>	<u>\$ 1,321,170</u>	<u>\$ 750,500</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF OSYKA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

(1) Summary of Significant Accounting Policies

The Town of Osyka operates under a Mayor/Alderman form of government subject to the legal budgetary and audit requirements of the Mississippi State Department of Audit for municipalities with a population of 3,000 or less.

A. Reporting Entity

The Cash Receipts and Disbursements of the Town consist of all the funds of the Town.

B. Fund accounting

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

C. Basis of Accounting

The financials are prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

(2) Report Classification

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

(3) Collateral for deposits

The collateral for public entities' deposits in financial institutions is now 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 should be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation.

(4) 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 Osyka.

(5) Compensated Absences

The town of Osyka, Mississippi does not compensate employees for unused vacation or sick leave.

(6) Tax Revenue

Property taxes on real property, personal property, mobile homes and automobiles are collected by Pike County and remitted to Osyka monthly.

TOWN OF OSYKA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

(7) **Defined Benefit Pension Plan**

Plan Description

The town of Osyka, 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 Employee's Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy

PERS members are required to contribute 9% of their annual covered salary and the Town of Osyka is required to contribute at an actuarial determined rate. The current rate is 12% of covered payroll.

The contribution of PERS members is established and may be amended only by the State of Mississippi Legislature. The Town of Osyka, Mississippi contributions to PERS for the year ended September 30, 2010 was \$16,337 which equaled the required contributions for the year. The contribution rate from October 1, 2009 thru June 30, 2010 was 7.25% for PERS members and 11.3% for the Town of Osyka. Effective July 1, 2010 the rate changed requiring PERS members to pay 9% and the Town of Osyka to pay 12%.

(8) **Commitments and Contingencies**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town of Osyka carries commercial insurance.

SUPPLEMENTAL INFORMATION

TOWN OF OSYKA, MISSISSIPPI
SCHEDULE OF INVESTMENTS – ALL FUNDS
SEPTEMBER 30, 2010

GENERAL FUND:

Certificate of Deposit
General Revenue

Certificate # 83258, due 2/10/2011,
bearing 1.55% interest

\$ 910

TOTAL GENERAL FUND

910

ENTERPRISE FUND:

Certificate of Deposit

Water and Sewer Fund

Certificate # 78210, due 8/18/2012,
bearing 1.4% interest

1,881

Certificate # 88946, due 11/8/2010,
bearing 2.5% interest

6,313

Certificate # 87435, due 3/6/2011,
bearing 0.75% interest

1,911

Certificate # 87437, due 3/16/2011,
bearing 1.15% interest

4,776

TOTAL ENTERPRISE FUND

14,881

TOTAL INVESTMENTS - ALL FUNDS

\$ 15,791

The accompanying notes are an integral part of these financial statements.

TOWN OF OSYKA, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
SEPTEMBER 30, 2010

Date of Issue	Purpose	Balance Outstanding 9/30/09	Transactions During Fiscal Year		Balance Outstanding 9/30/10
			Issued	Redeemed	
9/30/91	Water Sewer Improvements	\$ 25,238	-	\$ 2,700	\$ 22,538
6/30/94	Water Sewer Improvements	57,223	-	11,736	45,487
6/15/06	Backhoe/Loader	25,122	-	4,601	20,521
		<u>\$ 107,583</u>	<u>-</u>	<u>\$ 19,037</u>	<u>\$ 88,546</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF OSYKA
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
SEPTEMBER 30, 2010

<u>NAME</u>	<u>POSITION</u>	<u>BOND</u>
Jamie W. Harrell	Mayor	\$ 50,000
Carey Christian	Alderman	\$ 10,000
Tommy Kizer	Alderman	\$ 10,000
Nyla Price	Alderman	\$ 10,000
James Morris, Jr.	Alderman	\$ 10,000
Roddie Varnado	Alderman	\$ 10,000
Brian Mullins	Police Chief	\$ 50,000
Felder Smith	Asst. Police Chief	\$ 25,000
Jim Hutson	Police Officer	\$ 25,000
Hilda Wall	Town Clerk	\$ 50,000

The accompanying notes are an integral part of these financial statements.

TOWN OF OSYKA, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Housing & Urban Development :			
Pass-through programs from:			
Mississippi Development Authority			
Community Development Black Grant/ State Program	14.228	1126-09-285-PF-01 CDBG 2009	\$ 283,159
Pass-through programs from:			
Mississippi Development Authority			
Community Development Black Grant			
Home Investment Partnership Program	14.239	M06-SG-280-397 Home 2007	92,841
United States Department of Agriculture			
Pass-through programs from:			
Rural Development			
Community Facilities Grant	10.766	28-057-640470280-04	60,000
Pass-through program from:			
Center for Disease Control & Prevention			
Mississippi State Department of Health	93.283	100688	5,374
Total Expenditures of Federal Awards			\$ 441,374

The accompanying notes are an integral part of these financial statements.

INTERNAL CONTROL AND COMPLIANCE

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November 18, 2010

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

To the Mayor and Board of Aldermen
Town of Osyka, Mississippi

We have audited the combined statement of cash receipts and disbursements of the Town of Osyka for the year ended September 30, 2010 and have issued our report thereon dated November 18, 2010. 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*.

As required by state legal compliance and the Office of State Auditor, we have also performed procedures to test compliance with certain laws and regulations. Also, as a part of our audit, we are requested to report on the results of the Municipal Compliance Questionnaire completed in conjunction with the audit. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our procedures, our audit of the combined statement of cash receipts and cash disbursements, and review of the Municipal Compliance Questionnaire disclosed no material instance of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

VERBALEE B. WATTS & ASSOCIATES



Verbaelee B. Watts
Certified Public Accountant