



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

**PHIL BRYANT
State Auditor**

**RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division**

OKTIBBEHA COUNTY, MISSISSIPPI

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

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, 2003, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

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, 2003, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

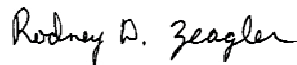
In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2004, on our consideration of Oktibbeha County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 45 through 49 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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise 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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 16, 2004

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2003. 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 a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

Oktibbeha County is located in northeastern Mississippi along highway 25. 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. The County government tax rate has actually decreased 6.74% over the last 5 years. This does not include School tax increases.

Total net assets increased \$576,541, which represents a 1.70% increase from the prior fiscal year. The County's ending cash balance increased by \$34,014 which represents a .27% increase from the prior fiscal year.

The County had \$12,085,726 in total revenues. Tax revenues account for \$6,261,245 or 51.8% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$2,628,418 or 21.8% of total revenues.

The County had \$12,749,626 in total expenses, which represents a decrease of \$82,961 or .64% decrease from the prior fiscal year. Expenses in the amount of \$1,623,217 were offset by grants, outside contributions or debt being issued. General revenues of \$12,085,726 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$6,631,183 in revenues and \$6,677,446 in expenditures. The General Fund's fund balance decreased \$11,118 under the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,518,099 in revenues and \$2,014,624 in expenditures. The Countywide Road Maintenance Fund's fund balance decreased \$388,190 under the prior year.

Among major funds, the Countywide Bridge and Culvert Fund had \$947,431 in revenues and \$1,097,425 in expenditures. The Countywide Bridge and Culvert Fund's fund balance decreased \$95,682 under the prior year.

Capital assets, net of accumulated depreciation, increased by \$14,238,405. This increase was due to infrastructure being added for the first time this year.

Long-term debt decreased by \$222,857.

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

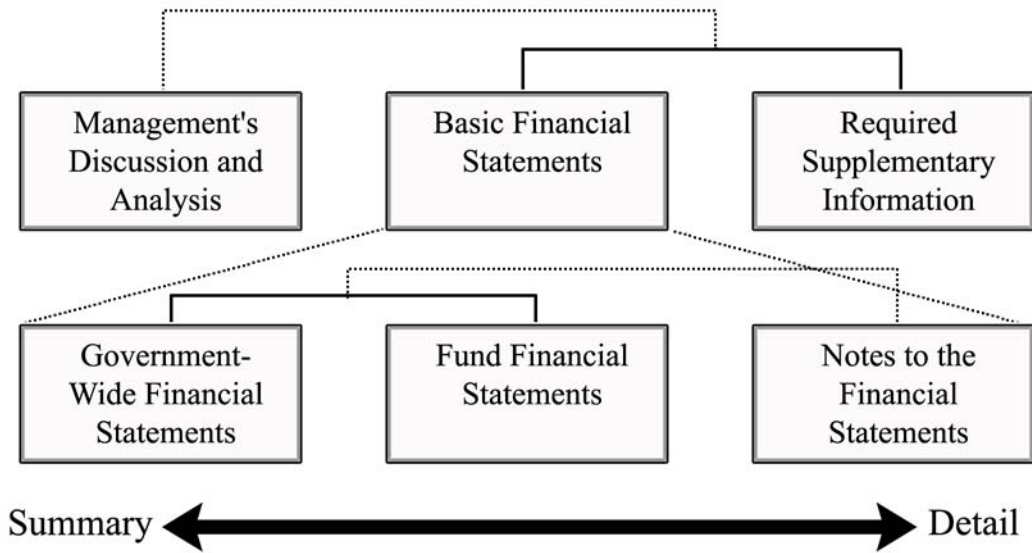


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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.

	Government -Wide Financial Statements	Governmental Funds	Fiduciary Funds
Scope	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
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of fiduciary net assets ● Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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
Type of inflow/outflow information	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; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 19 and 20 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 22 and 26, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. 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 21-26 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 27 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 28-42 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 45-49 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 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 \$34,383,718 as of September 30, 2003.

By far, the largest portion of the County's net assets (75%) 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, 2003.

		Governmental <u>Activities</u>
Current assets	\$	18,914,956
Capital assets, net		<u>27,662,467</u>
Total assets		<u>46,577,423</u>
Current liabilities		6,764,660
Long-term debt outstanding		<u>5,429,045</u>
Total liabilities		<u>12,193,705</u>
Net assets:		
Invested in capital assets, net of related debt		25,701,132
Restricted		4,685,295
Unrestricted		<u>3,997,291</u>
Total net assets	\$	<u>34,383,718</u>

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

- Roads and Bridges were added to the County's inventory, due to accounting changes implemented by the "Governmental Accounting Standards Board". This resulted in an additional \$14,238,405 of capital assets being booked for the first time in the 2003 fiscal year.
- \$535,353 of long-term debt principal was retired.

Changes in Net Assets – Oktibbeha County’s total revenues for the fiscal year ended September 30, 2003 was \$12,376,733. The total cost for all services provided was \$11,800,192. The increase in net assets was \$576,541. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 2,494,607
State and federal grants	921,502
Capital grants and contributions	350,421
General revenues	
Property taxes	6,261,245
Fines and fees	1,356,495
Road and bridge privilege taxes	372,028
Lease principal payments	102,331
Interest	278,142
Other	216,007
Transfers in from Fiduciary funds	<u>23,955</u>
Total Revenues	<u>12,376,733</u>
 Expenses:	
General government	3,478,764
Public safety	3,073,833
Public works	3,775,907
Health and welfare	361,812
Culture and recreation	127,209
Conservation of natural resources	98,487
Economic development	558,436
Interest on long term debt	<u>325,744</u>
Total Expenses	<u>11,800,192</u>
 Increase in Net Assets	 <u>\$ 576,541</u>

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</u> <u>Costs</u>	<u>Net</u> <u>Costs</u>
General Government	\$ 3,478,764	\$ 2,639,532
Public Safety	3,073,833	1,936,419
Public Works	3,775,907	2,221,170
Health & Welfare	361,812	312,095
Economic Development	558,436	373,006

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 \$11,854,349, a decrease of \$12,483.

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 \$11,118.

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 revenue from state and federal sources was 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, 2003, Oktibbeha County's total capital assets was \$77,126,470. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents an increase from the previous year of \$63,702,408. The majority of this increase is due to the addition of infrastructure.

Total accumulated depreciation as of September 30, 2003 was \$49,464,003, including \$611,763 of depreciation expense for the year. The balance in total net capital assets was \$27,662,467 at year-end.

Additional information on Oktibbeha County's capital assets can be found in note 7 on page 36 of this report.

Debt Administration – At September 30, 2003, Oktibbeha County had \$5,429,045 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt, \$576,896 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 of 10 million dollars.

Additional information on Oktibbeha County's long-term debt can be found in note 10 on page 38 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

There is currently a major expansion by a large employer in the County. Additional jobs will be created to bring more people to the County. This also provides for an increase in assessed values on the tax roles and more revenue to the County.

There are currently two major industries that plan to locate new plants in the County. There will be new jobs available to bring more people to the County. This provides for an increase in assessed values on the tax rolls and more revenue to the County.

The budget for the next fiscal year reflected a decrease of \$43,352 in revenues and a decrease of \$145,547 in expenses. This is expected to increase the County's net assets.

Oktibbeha County has an unemployment rate of 3.5%. This compares favorably with the state average rate of 5.6%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 12,249,320
Accrued interest receivable	22,828
Property tax receivable	5,307,714
Fines receivable, (net of allowance for uncollectibles of \$3,448,063)	295,947
Loans receivable	697,335
Intergovernmental receivables	239,128
Other receivables	102,684
Capital assets, net	27,662,467
Total Assets	<u>46,577,423</u>
LIABILITIES	
Claims payable	622,821
Intergovernmental payables	486,585
Deferred revenue	5,307,714
Other payables	347,540
Long-term liabilities	
Due within one year:	
Capital related debt	81,015
Non-capital debt	578,025
Due in more than one year:	
Capital related debt	1,880,320
Non-capital debt	2,889,685
Total Liabilities	<u>12,193,705</u>
NET ASSETS	
Invested in capital assets, net of related debt	25,701,132
Restricted:	
Expendable:	
General government	7,743
Debt service	1,310,234
Public safety	821,865
Public works	1,770,679
Economic development	77,439
Other purposes	697,335
Unrestricted	3,997,291
Total Net Assets	<u>\$ 34,383,718</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, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,478,764	839,232			(2,639,532)
Public safety	3,073,833	920,875	201,686	14,853	(1,936,419)
Public works	3,775,907	734,500	666,311	153,926	(2,221,170)
Health and welfare	361,812		49,717		(312,095)
Culture and recreation	127,209				(127,209)
Conservation of natural resources	98,487				(98,487)
Economic development and assistance	558,436		3,788	181,642	(373,006)
Interest on long-term debt	325,744				(325,744)
Total Governmental Activities	<u>\$ 11,800,192</u>	<u>2,494,607</u>	<u>921,502</u>	<u>350,421</u>	<u>(8,033,662)</u>
General revenues:					
Property taxes				\$ 6,261,245	
Road & bridge privilege taxes				372,028	
Grants and contributions not restricted to specific programs				1,356,495	
Unrestricted investment income				278,142	
Miscellaneous				216,007	
Other financing sources - lease principal payments				102,331	
Transfers in from fiduciary funds				23,955	
Total General Revenues and Transfers				<u>8,610,203</u>	
Changes in Net Assets				<u>576,541</u>	
Net Assets - Beginning, as restated				<u>33,807,177</u>	
Net Assets - Ending				<u>\$ 34,383,718</u>	

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

OKTIBBEHA COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Countywide Bridge and Culvert Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 8,242,435	984,316	411,793	2,610,776	12,249,320
Accrued interest receivable	21,394			1,434	22,828
Property tax receivable	3,548,693	642,211	728,995	387,815	5,307,714
Fines receivable (net of allowance for uncollectibles of \$3,448,063)	295,947				295,947
Loans receivable				697,335	697,335
Intergovernmental receivables	229,379			9,749	239,128
Other receivables	12,041			90,643	102,684
Due from other funds		48,207	42,522	24,708	115,437
Total Assets	<u>\$ 12,349,889</u>	<u>1,674,734</u>	<u>1,183,310</u>	<u>3,822,460</u>	<u>19,030,393</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 403,618	93,118	32,389	93,696	622,821
Intergovernmental payables	469,600	16,985			486,585
Due to other funds	115,437				115,437
Deferred revenue	3,844,640	642,211	728,995	387,815	5,603,661
Other payables	347,540				347,540
Total Liabilities	<u>5,180,835</u>	<u>752,314</u>	<u>761,384</u>	<u>481,511</u>	<u>7,176,044</u>
Fund balances:					
Reserved for:					
Loans receivable				697,335	697,335
Debt service				1,310,234	1,310,234
Unreserved, reported in:					
General Fund	7,169,054				7,169,054
Special Revenue Funds		922,420	421,926	1,333,380	2,677,726
Total Fund Balances	<u>7,169,054</u>	<u>922,420</u>	<u>421,926</u>	<u>3,340,949</u>	<u>11,854,349</u>
Total Liabilities and Fund Balances	<u>\$ 12,349,889</u>	<u>1,674,734</u>	<u>1,183,310</u>	<u>3,822,460</u>	<u>19,030,393</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, 2003

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,854,349
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$49,464,003.	27,662,467
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	295,947
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(5,429,045)</u>
Total Net Assets - Governmental Activities	<u>\$ 34,383,718</u>

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

OKTIBBEHA COUNTY

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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, 2003

	<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>	
REVENUES					
Property taxes	\$ 4,286,192	543,973	936,755	494,325	6,261,245
Road and bridge privilege taxes		372,028			372,028
Licenses, commissions and other revenue	380,902			37,659	418,561
Fines and forfeitures	452,035				452,035
Intergovernmental revenues	733,696	599,083	7,421	1,288,218	2,628,418
Charges for services	444,969			1,140,776	1,585,745
Interest income	265,847			12,295	278,142
Miscellaneous revenues	67,542	3,015	3,255	15,740	89,552
Total Revenues	<u>6,631,183</u>	<u>1,518,099</u>	<u>947,431</u>	<u>2,989,013</u>	<u>12,085,726</u>
EXPENDITURES					
Current:					
General government	3,652,702			15,274	3,667,976
Public safety	2,387,790			619,509	3,007,299
Public works	23,946	2,014,624	1,097,425	931,315	4,067,310
Health and welfare	361,812				361,812
Culture and recreation	127,209				127,209
Conservation of natural resources	98,487				98,487
Economic development and assistance	25,500			532,936	558,436
Debt service:					
Principal				535,353	535,353
Interest				325,744	325,744
Total Expenditures	<u>6,677,446</u>	<u>2,014,624</u>	<u>1,097,425</u>	<u>2,960,131</u>	<u>12,749,626</u>
Excess of Revenues over (under) Expenditures	<u>(46,263)</u>	<u>(496,525)</u>	<u>(149,994)</u>	<u>28,882</u>	<u>(663,900)</u>

OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			351,294	351,294
Proceeds from sale of capital assets		108,335	53,360	161,695
Compensation for loss of capital assets	11,190		952	12,142
Transfers in	23,955			23,955
Lease principal payments			102,331	102,331
Total Other Financing Sources and Uses	<u>35,145</u>	<u>108,335</u>	<u>54,312</u>	<u>453,625</u>
Net Changes in Fund Balances	<u>(11,118)</u>	<u>(388,190)</u>	<u>(95,682)</u>	<u>482,507</u>
Fund Balance - Beginning, as restated	<u>7,180,172</u>	<u>1,310,610</u>	<u>517,608</u>	<u>2,858,442</u>
Fund Balances - Ending	<u>\$ 7,169,054</u>	<u>922,420</u>	<u>421,926</u>	<u>3,340,949</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, 2003

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (12,483)
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 \$1,049,417 exceeded depreciation \$611,763 in the current period.	437,654
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$112,575, and the proceeds from the sale of \$161,695 in the current period.	(49,120)
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.	38,266
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$535,353 exceeded debt proceeds \$351,294.	184,059
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of additions to compensation absences.	<u>(21,835)</u>
Change in Net Assets of Governmental Activities	<u>\$ 576,541</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 116,598
Total Assets	\$ <u>116,598</u>
LIABILITIES	
Other accrued liabilities	\$ 15,155
Intergovernmental payables	<u>101,443</u>
Total Liabilities	\$ <u>116,598</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, 2003

(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, 2003

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

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. 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 Fund 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 is incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgements, 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 - Accounts for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge and Culvert Fund - Accounts 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, 2003

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

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." 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, 2003

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement. 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 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, 2003

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation 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, 2003

L. Intergovernmental Revenues in Governmental Funds.

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

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.

Therefore, the county's full liability in the amount of \$126,004, of which \$80,189 is for accumulated unpaid personal leave up to a maximum of 25 days per employee, and of which \$45,815 is for accumulated unpaid overtime leave for law enforcement personnel, is reported as a liability in the Statement of Net Assets.

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

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

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

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

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

OKTIBBEHA COUNTY

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

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

	<u>Sept. 30, 2002 As Previously Reported</u>	<u>Fund and Account Group Reclassifications</u>	<u>Prior Period Adjustments</u>	<u>Sept. 30, 2002 As Restated</u>
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 7,204,033	(26,729)	2,868	7,180,172
Countywide Road Maintenance		1,310,610		1,310,610
Countywide Bridge and Culvert		517,608		517,608
Other Governmental Funds:				
Special Revenue	3,811,214	(1,801,489)	(6,000)	2,003,725
Debt Service	<u>854,717</u>			<u>854,717</u>
 Total Governmental Funds	 11,869,964	 0	 (3,132)	 11,866,832
 Governmental Activities:				
Capital assets, net		13,424,062	13,849,871	27,273,933
Long-term liabilities		(5,651,902)		(5,651,902)
Fines receivable			318,314	318,314
Total Governmental Funds and Governmental Activities	<u>\$ 11,869,964</u>	<u>7,772,160</u>	<u>14,165,053</u>	<u>33,807,177</u>
 Account Groups				
General Fixed Assets	\$ 13,424,062	(13,424,062)		0
General Long-term Debt	<u>(5,651,902)</u>	<u>5,651,902</u>		<u>0</u>
 Total Account Groups	<u>\$ 7,772,160</u>	<u>(7,772,160)</u>	<u>0</u>	<u>0</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$12,365,918, and the bank balance was \$12,048,677. 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.

OKTIBBEHA COUNTY

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

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Countywide Road Maintenance	General	\$ 48,207
Countywide Bridge and Culvert	General	42,522
Other Governmental Funds	General	24,708
Total		\$ 115,437

The receivables represent the tax revenue and fine revenue collected but not settled until October 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Fiduciary Funds	\$ 23,955

The purpose of the interfund transfer was to transfer funds from an agency fund to the General Fund. The agency fund was no longer needed.

(5) Intergovernmental Receivables.

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

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 169,541
Reimbursement for housing prisoners	25,450
FEMA reimbursement	15,588
Other receivables	28,549
Total Governmental Activities	\$ 239,128

OKTIBBEHA COUNTY

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

(6) Loans Receivable.

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

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Hewlett, Inc. #2	06/06/94	6	09/01/09	\$ 119,613
Hewlett, Inc. #3	10/20/95	6	11/01/09	122,362
Global Aircraft	03/10/02	6.5	06/01/07	455,360
Total				<u>\$ 697,335</u>

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 367,776	65,000	0	403,357	836,133
<u>Depreciable capital assets:</u>					
Infrastructure				65,170,706	65,170,706
Buildings	5,592,365	188,333		(1,178,539)	4,602,159
Mobile equipment	5,586,712	734,830	473,827	(40,839)	5,806,876
Furniture and equipment	1,636,355	61,254	17,374	(1,204,486)	475,749
Leased property under capital leases	240,854			(6,007)	234,847
Total depreciable capital assets	<u>13,056,286</u>	<u>984,417</u>	<u>491,201</u>	<u>62,740,835</u>	<u>76,290,337</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		88,672		43,675,389	43,764,061
Buildings		80,782		1,621,705	1,702,487
Mobile equipment		379,364	426,445	3,674,921	3,627,840
Furniture and equipment		32,751	15,636	292,112	309,227
Leased property under capital leases		30,194		30,194	60,388
Total accumulated depreciation	<u>0</u>	<u>611,763</u>	<u>442,081</u>	<u>49,294,321</u>	<u>49,464,003</u>
Total depreciable capital assets, net	<u>13,056,286</u>	<u>372,654</u>	<u>49,120</u>	<u>13,446,514</u>	<u>26,826,334</u>
Governmental activities capital assets, net	<u>\$ 13,424,062</u>	<u>437,654</u>	<u>49,120</u>	<u>13,849,871</u>	<u>27,662,467</u>

Adjustments are the effect of implementing GASB 34.

OKTIBBEHA COUNTY

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

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 99,017
Public safety	212,818
Public works	299,928
Total governmental activities depreciation expense	\$ 611,763

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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. 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). Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	\$ 142,777
Plus: Incurred Claims (Including IBNRs)	1,271,685
Less: Claims Payments	1,332,318
Unpaid Claims, End of Fiscal Year	\$ 82,144

OKTIBBEHA COUNTY

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

(9) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities
Other furniture and equipment	\$ 234,847
Less: Accumulated depreciation	<u>60,388</u>
Leased Property Under Capital Leases	<u>\$ 174,459</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2004	\$ 31,015	10,715
2005	32,588	9,142
2006	34,240	7,490
2007	35,976	5,754
2008	37,800	3,930
2009 - 2013	<u>39,716</u>	<u>2,014</u>
Total	<u>\$ 211,335</u>	<u>39,045</u>

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Research park	\$ 410,000	9.75	12/01/04
Research park (1987)	695,000	7.375 - 8	03/01/07
2001 road and bridge construction	<u>1,750,000</u>	4.2 - 6	03/01/21
Total General Obligation Bonds	<u>\$ 2,855,000</u>		
B. Capital Leases:			
911 Emergency communications	<u>\$ 211,335</u>	5.07	05/10/09

OKTIBBEHA COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
Business incubator loan	\$ 250,000	0	05/15/06
Hewlett community development block grant	120,991	6	09/01/09
Hewlett community development block grant	125,085	6	11/01/09
Service Zone cap loan	443,112	5.66	04/01/16
Service Zone cap loan	445,140	5.66	05/01/16
Global Aircraft community development block grant	455,359	6.5	06/01/17
Service Zone Tennessee Valley Authority loan	<u>314,875</u>	2.74	10/15/10
Total Other Loans	<u>\$ 2,154,562</u>		

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2004	\$ 400,000	161,975	145,881	97,598
2005	430,000	126,188	153,399	92,384
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 - 2013	475,000	282,650	687,726	212,144
2014 - 2018	575,000	164,178	407,709	40,499
2019 - 2023	<u>375,000</u>	<u>27,422</u>		
Total	<u>\$ 2,855,000</u>	<u>1,007,860</u>	<u>2,154,562</u>	<u>670,129</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the amount of outstanding debt was equal to 1.46% of the latest property assessments.

OKTIBBEHA COUNTY

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

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

	Balance				Balance	Amount due
	Oct. 1, 2002	Additions	Reductions	Adjustments	Sept. 30, 2003	within one
						year
Compensated absences	\$ 104,169	21,835			126,004	
Claims and judgments	142,777	1,271,685	1,332,318		82,144	
General obligation bonds	3,220,000		365,000		2,855,000	400,000
Capital leases	240,854		29,519		211,335	31,015
Other loans	1,944,102	351,294	140,834		2,154,562	145,881
Total	\$ 5,651,902	1,644,814	1,867,671	0	5,429,045	576,896

(11) Contingencies.

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

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

(12) 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</u> <u>Sept. 30, 2003</u>
Hospital revenue bonds	\$ <u>545,000</u>

(13) 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.

OKTIBBEHA COUNTY

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

(14) 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 \$138,773 in fiscal year 2003. 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.

(15) 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 \$603,762 for maintenance and support of the college in fiscal year 2003.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The 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 2003.

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 2003.

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 \$43,375 for support of the agency in fiscal year 2003.

Prairie Opportunity, Inc., operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The 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.

OKTIBBEHA COUNTY

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

(16) 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 current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$364,374, \$337,767 and \$302,304, respectively, equal to the required contributions for each year.

(17) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.92% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Oktibbeha County during the 2002-2003 fiscal year was \$18,677.

OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,296,421	4,147,247	4,147,247	
Licenses, commissions and other revenue	278,500	378,825	378,825	
Fines and forfeitures	332,400	428,358	428,358	
Intergovernmental revenues	598,700	973,834	973,834	
Charges for services	308,500	419,216	419,216	
Interest income	325,000	270,229	270,229	
Miscellaneous revenues	72,850	192,961	192,961	
Total Revenues	<u>6,212,371</u>	<u>6,810,670</u>	<u>6,810,670</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	7,652,826	3,654,725	3,654,725	
Public safety	2,513,434	2,418,692	2,418,692	
Public works	31,928	31,928	31,928	
Health and welfare	387,535	370,768	370,768	
Culture and recreation	138,773	138,773	138,773	
Education	276,000	245,793	245,793	
Conservation of natural resources	111,780	98,798	98,798	
Economic development and assistance	26,000	25,500	25,500	
Total Expenditures	<u>11,138,276</u>	<u>6,984,977</u>	<u>6,984,977</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(4,925,905)</u>	<u>(174,307)</u>	<u>(174,307)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		11,190	11,190	
Transfers out		(15,451)	(15,451)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(4,261)</u>	<u>(4,261)</u>	<u>0</u>
Net Change in Fund Balance	(4,925,905)	(178,568)	(178,568)	
Fund Balances - Beginning	<u>7,265,701</u>	<u>7,265,701</u>	<u>7,265,701</u>	
Fund Balances - Ending	<u>\$ 2,339,796</u>	<u>7,087,133</u>	<u>7,087,133</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, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 772,815	796,003	796,003	
Road and bridge privilege taxes	263,404	369,319	369,319	
Licenses, commissions and other revenue		783	783	
Intergovernmental revenues	426,000	607,920	607,920	
Miscellaneous revenues	18,354	3,015	3,015	
Total Revenues	<u>1,480,573</u>	<u>1,777,040</u>	<u>1,777,040</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,786,573	2,267,651	2,267,651	
Total Expenditures	<u>2,786,573</u>	<u>2,267,651</u>	<u>2,267,651</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,306,000)</u>	<u>(490,611)</u>	<u>(490,611)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		108,335	108,335	
Transfers out		(24,135)	(24,135)	
Total Other Financing Sources and Uses	<u>0</u>	<u>84,200</u>	<u>84,200</u>	<u>0</u>
Net Change in Fund Balance	(1,306,000)	(406,411)	(406,411)	
Fund Balances - Beginning	<u>984,316</u>	<u>984,316</u>	<u>984,316</u>	
Fund Balances - Ending	<u>\$ (321,684)</u>	<u>577,905</u>	<u>577,905</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, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 877,250	911,362	911,362	
Licenses, commissions and other revenue		889	889	
Intergovernmental revenues		6,532	6,532	
Miscellaneous revenues		3,255	3,255	
Total Revenues	<u>877,250</u>	<u>922,038</u>	<u>922,038</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>1,407,964</u>	<u>1,125,271</u>	<u>1,125,271</u>	
Total Expenditures	<u>1,407,964</u>	<u>1,125,271</u>	<u>1,125,271</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(530,714)</u>	<u>(203,233)</u>	<u>(203,233)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		53,360	53,360	
Compensation for loss of capital assets		952	952	
Total Other Financing Sources and Uses	<u>0</u>	<u>54,312</u>	<u>54,312</u>	<u>0</u>
Net Change in Fund Balance	(530,714)	(148,921)	(148,921)	
Fund Balances - Beginning	<u>411,793</u>	<u>411,793</u>	<u>411,793</u>	
Fund Balances - Ending	<u><u>\$ (118,921)</u></u>	<u><u>262,872</u></u>	<u><u>262,872</u></u>	<u><u>0</u></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, 2003

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

For the year ended September 30, 2003, the county implemented GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

OKTIBBEHA COUNTY

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and 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)	\$ (178,568)	(406,411)	(148,921)
Increase (Decrease)			
Net adjustments for revenue accruals	(131,235)	(258,941)	25,393
Net adjustments for expenditure accruals	<u>298,685</u>	<u>277,162</u>	<u>27,846</u>
GAAP Basis	\$ <u>(11,118)</u>	<u>(388,190)</u>	<u>(95,682)</u>

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SUPPLEMENTAL INFORMATION

OKTIBBEHA COUNTY

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

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development Community development block grants/Brownfields economic development initiative	14.246	B-02-SP-MS-0358	\$ <u>168,824</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	98-053-RV-LN01	3,788
HOME investment partnerships program	14.239	M01-SG-28-01-0920	<u>12,818</u>
Total U.S. Department of Housing and Urban Development			<u>16,606</u>
U.S. Department of Justice - Office of Justice Programs Local law enforcement block grants program	16.592	4-CA-1531	<u>7,560</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>1,430</u>
Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Public assistance grants	97.036	69-4423-1-8619	93,314
Emergency management performance grants	97.042	N/A	<u>41,066</u>
Total Department of Homeland Security			<u>134,380</u>
Total Expenditures of Other Federal Awards			<u>159,976</u>
Total Expenditures of Federal Awards			<u>\$ 328,800</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 COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF THE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
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, 2003, and have issued our report thereon dated June 16, 2004. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Oktibbeha County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Oktibbeha County, Mississippi, in our Independent Auditor's Report on Compliance with State Laws and Regulations dated June 16, 2004, included within this document.

Internal Control Over Financial Reporting

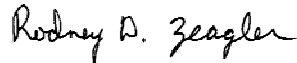
In planning and performing our audit, we considered Oktibbeha County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 16, 2004



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 its major federal program for the year ended September 30, 2003. Oktibbeha County, Mississippi's major federal program is 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 its major federal program 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.

In our opinion, Oktibbeha County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 03-4.

Internal Control Over Compliance

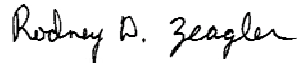
The management of Oktibbeha County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oktibbeha County, 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.

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 16, 2004



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, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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.

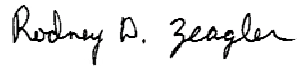
In our opinion, Oktibbeha County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 16, 2004

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

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>
10/23/02	5 Mack trucks	\$ 357,934	Tri State Mack	\$ 294,877	Higher resale value, more dependable and a quicker delivery time.
05/09/03	Caterpillar 928G wheel loader	103,500	Thompson Machinery	75,500	A longer life expectancy, more dependable and requires less maintenance.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/07/02	Repair to Turkey Creek Bridge	\$ 2,169	Tri State Lumber	The condition of the bridge presented a hazard to the general public.

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

Schedule 3

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

OKTIBBEHA COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
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, 2003, and have issued our report thereon dated June 16, 2004. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

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

Board of Supervisors.

1. Finding

Internal Revenue Service regulations require FICA to be withheld and matched on compensation paid in excess of \$1,000 per year to election officials and election workers. The compensation and withholding must be reported on a W-2 form each year. FICA was not withheld or matched on Election Commissioner's compensation exceeding \$1,000. The compensation was reported on form 1099, instead of the required W-2 form.

Recommendation

The Board of Supervisors should report compensation in excess of \$1,000 paid to Election Commissioners and other election workers on a W-2 form and should withhold and match FICA amounts on the compensation amount.

Board of Supervisors' Response

The county will adhere to IRS regulations in the future. All Election Commissioners and other election workers pay will be reported on form W-2's each year. All FICA amounts will be withheld as required.

Chancery Clerk.

2. Finding

Section 7-7-211(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the county to be published as soon as possible after the Chancery Clerk receives a copy of the report. The Chancery Clerk did not publish a synopsis of the 2001 or the 2002 audit reports.

Recommendation

The Chancery Clerk should publish a synopsis of the annual audit report.

Chancery Clerk's Response

I will publish the synopsis in a timely manner after receipt.

3. Finding

Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The tax levy for year 2002-2003 did not include the purpose of or the code section authorizing each separate tax levy.

Recommendation

The Chancery Clerk, as Clerk of the Board, should properly prepare the annual tax levy in accordance with the aforementioned section.

Chancery Clerk's Response

I will prepare the annual tax levy in accordance with Section 27-39-317, Miss. Code Ann. (1972).

Sheriff.

4. Finding

Section 19-25-74, Miss. Code Ann. (1972), requires the Sheriff to submit a meal log to the Board of Supervisors documenting all meals served to inmates on a monthly basis. The log should record the name of each inmate, the date and time of incarceration and release, the number of meals served to inmates at each mealtime and the time meals are served. Meal logs recorded the same inmate eating two or three meals at the same time on the same day.

Recommendation

The Sheriff should provide an accurate meal log to the Board of Supervisors each month.

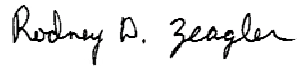
Sheriff's Response

The above recommendations will be followed.

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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

June 16, 2004

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, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | Community development block grants/Brownfields economic development initiative, CFDA #14.246 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

The Board of Supervisors did not receive a monthly accounts receivable report or an aging report for solid waste accounts from the Golden Triangle Planning and Development District.

OKTIBBEHA COUNTY

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

Recommendation

The Board of Supervisors should obtain an accounts receivable report and the accounts receivable aging report for solid waste users from the Golden Triangle Planning and Development District.

Road Manager.

03-2. Finding

Road/bridge improvement reports as prescribed in the *Mississippi County Financial Accounting Manual* were not prepared by the county road manager.

Recommendation

The Road Manager should prepare road/bridge improvement reports as prescribed.

Justice Court Clerk.

03-3. Finding

Cash receipting and recording duties within the Justice Court office were not segregated. The Justice Court Clerk and one deputy handle all the daily cash duties.

Recommendation

The Justice Court Clerk should separate the cash receipting functions, the daily checkup reports, the daily deposit, posting to the cash journals, ledgers and files, and the monthly bank reconciliations.

Section 3: Federal Award Findings and Questioned Costs

03-4. Finding

Program: Community development block grants/Brownfields economic development initiative - CFDA No. 14.246; Grant No. B-02-SP-MS-0358; U.S. Department of Housing and Urban Development

Compliance Requirement: Sub-recipient Monitoring

Questioned Costs: None

Oktibbeha County was awarded the EDI-HUD special projects grant for the development of an e-commerce industrial park. In the application and the grant agreement the county named the Oktibbeha County Economic Development Agency as a sub-recipient of the grant funds. The grant agreement states that a contract must be signed by the county and the sub-recipient before money can be requested. No contract exists between Oktibbeha County and the Oktibbeha County Economic Development Agency.

Recommendation

The Board of Supervisors should be aware of the conditions of the grant agreement before money is requested and expended. A contract should be signed between the county and the sub-recipient.

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
ORLANDO TRAINER
TERRY KELLUM
DAVID OSWALT
GEORGE CURRY

P. O. BOX 80285
101 E. MAIN STREET
STARKVILLE, MS 39759
PHONE (662) 323-1520
FAX (662) 338-1065
EMAIL: DPOSEY@GTPDD.COM

CORRECTIVE ACTION PLAN

June 16, 2004

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, 2003.

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

- 03-1 Corrective Action Planned: We will obtain a copy of the monthly detailed accounts receivable reports and the monthly accounts receivable aging reports from Golden Triangle Planning and Development District.

Anticipated Completion Date: July 31, 2004

Name of Contact Person Responsible for Corrective Action: Don Posey, County Administrator

- 03-2 Corrective Action Planned: The required reports necessary to show the construction costs for roads and bridges will be prepared.

Anticipated Completion Date: July 31, 2004

Name of Contact Person Responsible for Corrective Action: Jimmy Morgan, Road Manager

- 03-3 Corrective Action Planned: Daily duties will be segregated as recommended.

Anticipated Completion Date: July 31, 2004

Name of Contact Person Responsible for Corrective Action: Don Posey, County Administrator

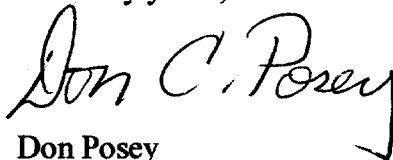
SECTION 3: FEDERAL AWARD FINDINGS

03-4 Corrective Action Planned: All grants that require a contract between the county and a sub-recipient will be executed before any money can be drawn down, in the future. A contract between the county and Oktibbeha County Economic Development Agency will be executed.

Anticipated Completion Date: August 31, 2004

Name of Contact Person Responsible for Corrective Action: Don Posey, County Administrator

Sincerely yours,

A handwritten signature in cursive script that reads "Don C. Posey". The signature is written in black ink and is positioned above the typed name and title.

Don Posey
County Administrator
(662) 323 - 1520