



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

PHIL BRYANT
State Auditor

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Director, Financial and Compliance Audit Division

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CHOCTAW COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

CHOCTAW COUNTY

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CHOCTAW COUNTY

FINANCIAL SECTION

CHOCTAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Choctaw County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management did not maintain adequate subsidiary records documenting the accounts receivable of solid waste user fees or the aging of these accounts receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of accounts receivable, net, reported on the Statement of Net Assets and in the Other Governmental Funds at \$26,051, as of September 30, 2004. Also, because of the nature of the accounts receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the Other Governmental Funds.

Management did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$85,111, as of September 30, 2004. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

The financial statements referred to above include only the primary government of Choctaw County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Choctaw County, Mississippi, as of September 30, 2004, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the solid waste accounts receivable for the Other Governmental Funds as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information for the primary government of Choctaw County, Mississippi, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court fines receivable for the General Fund as described in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund for the primary government of Choctaw County, Mississippi, as of September 30, 2004, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities for the primary government of Choctaw County, Mississippi, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2006, on our consideration of Choctaw County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

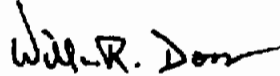
Choctaw County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Choctaw County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

April 13, 2006

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CHOCTAW COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CHOCTAW COUNTY

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CHOCTAW COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 1,506,258
Accrued interest receivable	1,061
Property tax receivable	1,452,583
Accounts receivable (net of allowance for uncollectibles of \$147,620)	26,051
Fines receivable (net of allowance for uncollectibles of \$334,911)	85,111
Loans receivable	354,720
Intergovernmental receivables	208,735
Other receivables	42,539
Capital assets, net	27,919,555
Total Assets	<u>31,596,613</u>
LIABILITIES	
Claims payable	440,290
Intergovernmental payables	57,572
Unearned revenue	1,456,659
Other payables	5,626
Long-term liabilities	
Due within one year:	
Capital debt	269,553
Non-capital debt	35,228
Due in more than one year:	
Capital debt	716,122
Non-capital debt	319,491
Total Liabilities	<u>3,300,541</u>
NET ASSETS	
Invested in capital assets, net of related debt	26,933,880
Restricted:	
Expendable:	
General government	26,594
Public safety	207,489
Public works	600,198
Health and welfare	2,786
Economic development	697
Unrestricted	524,428
Total Net Assets	<u>\$ 28,296,072</u>

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

CHOCTAW COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,297,183	148,703	3,465	97,739	(1,047,276)
Public safety	1,055,675	182,788	98,087	166,062	(608,738)
Public works	2,203,862	328,628	552,460	403,623	(919,151)
Health and welfare	168,352		13,173	7,146	(148,033)
Culture and recreation	49,917				(49,917)
Conservation of natural resources	220,614		174,462		(46,152)
Economic development and assistance	205,010		157,632		(47,378)
Interest on long-term debt	58,614				(58,614)
Total Governmental Activities	\$ <u>5,259,227</u>	<u>660,119</u>	<u>999,279</u>	<u>674,570</u>	<u>(2,925,259)</u>
General revenues:					
Property taxes				\$ 1,585,979	
Road & bridge privilege taxes				102,986	
Grants and contributions not restricted to specific programs				208,605	
In lieu tax - Tractebel				945,042	
Unrestricted interest income				20,254	
Miscellaneous				263,628	
Total general revenues				<u>3,126,494</u>	
Changes in Net Assets				<u>201,235</u>	
Net Assets - Beginning				17,396,834	
Prior period adjustment				10,698,003	
Net Assets - Beginning, as restated				<u>28,094,837</u>	
Net Assets - Ending				<u>\$ 28,296,072</u>	

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

CHOCTAW COUNTY
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

	<u>Major Fund</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash	\$ 642,757	863,501	1,506,258
Accrued interest receivable	658	403	1,061
Property tax receivable	637,282	815,301	1,452,583
Accounts receivable (net of allowance for uncollectibles of \$147,620)		26,051	26,051
Fines receivable (net of allowance for uncollectibles of \$334,911)	85,111		85,111
Loans receivable	354,720		354,720
Intergovernmental receivables	46,384	162,351	208,735
Other receivables	12,353	29,826	42,179
Due from other funds		79,181	79,181
Advances to other funds	360		360
Total Assets	<u>\$ 1,779,625</u>	<u>1,976,614</u>	<u>3,756,239</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 179,162	261,128	440,290
Intergovernmental payables	56,219		56,219
Due to other funds	22,189	58,345	80,534
Unearned revenue	637,282	819,377	1,456,659
Deferred revenue	85,111	26,051	111,162
Other payables	5,626		5,626
Total Liabilities	<u>985,589</u>	<u>1,164,901</u>	<u>2,150,490</u>
Fund balances:			
Reserved for:			
Loans receivable	354,720		354,720
Advances	360		360
Unreserved, reported in:			
General Fund	438,956		438,956
Special Revenue Funds		811,818	811,818
Capital Project Funds		(105)	(105)
Total Fund Balances	<u>794,036</u>	<u>811,713</u>	<u>1,605,749</u>
Total Liabilities and Fund Balances	<u>\$ 1,779,625</u>	<u>1,976,614</u>	<u>3,756,239</u>

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

CHOCTAW COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,605,749
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 \$55,761,017.	27,919,555
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	111,162
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,340,394)</u>
Total Net Assets - Governmental Activities	<u>\$ 28,296,072</u>

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

CHOCTAW COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004

Exhibit 4

	Major Fund		Total Governmental Funds
	General Fund	Other Governmental Funds	
REVENUES			
Property taxes	\$ 830,806	755,173	1,585,979
Road and bridge privilege taxes		102,986	102,986
Licenses, commissions and other revenue	77,380	2,842	80,222
Fines and forfeitures	64,924		64,924
In lieu tax - Tractebel	945,042		945,042
Intergovernmental revenues	289,658	1,592,796	1,882,454
Charges for services	102,099	399,257	501,356
Interest income	12,003	8,251	20,254
Miscellaneous revenues	151,979	8,478	160,457
Total Revenues	2,473,891	2,869,783	5,343,674
EXPENDITURES			
Current:			
General government	1,419,929	101,565	1,521,494
Public safety	639,724	513,317	1,153,041
Public works	6,911	2,576,761	2,583,672
Health and welfare	77,347	152,806	230,153
Culture and recreation	48,633		48,633
Conservation of natural resources	46,152	174,462	220,614
Economic development and assistance	8,000	197,010	205,010
Debt service:			
Principal	75,699	319,250	394,949
Interest	26,469	32,145	58,614
Total Expenditures	2,348,864	4,067,316	6,416,180
Excess of Revenues over (under) Expenditures	125,027	(1,197,533)	(1,072,506)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	38,754	512,530	551,284
Proceeds from sale of capital assets		443,021	443,021
Transfers in		97,895	97,895
Transfers out	(97,895)		(97,895)
Total Other Financing Sources and Uses	(59,141)	1,053,446	994,305
Net Changes in Fund Balances	65,886	(144,087)	(78,201)
Fund Balances - Beginning	731,967	955,800	1,687,767
Prior period adjustment	(3,817)		(3,817)
Fund Balances - Beginning, as restated	728,150	955,800	1,683,950
Fund Balances - Ending	\$ 794,036	811,713	1,605,749

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

CHOCTAW COUNTY

Exhibit 4-1

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, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (78,201)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,293,862 exceeded depreciation of \$527,864 in the current period.	765,998
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$99,177 and the proceeds from the sale of \$443,021 in the current period.	(343,844)
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.	10,743
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	2,874
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$551,284 exceeded debt payments of \$394,949.	<u>(156,335)</u>
Change in Net Assets of Governmental Activities	<u>\$ 201,235</u>

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

CHOCTAW COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 11,898
Intergovernmental receivables	8,315
Due from other funds	<u>1,353</u>
Total Assets	<u>\$ 21,566</u>
LIABILITIES	
Other liabilities	\$ 825
Intergovernmental payables	20,381
Advances from other funds	<u>360</u>
Total Liabilities	<u>\$ 21,566</u>

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

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Choctaw County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

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 (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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 elect not to report major general infrastructure assets retroactively. Choctaw County meets this criteria, but has elected to report major general infrastructure assets retroactively. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are reported in the government-wide financial statements. Current year general infrastructure assets are not reported on the government-wide financial statements. General infrastructure assets include 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
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

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

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

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct error in cash	\$ (3,817)
To correct error in capital assets, net	<u>10,701,820</u>
Total prior period adjustment	\$ <u><u>10,698,003</u></u>

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

<u>Explanation</u>	<u>Amount</u>
To correct error in cash	\$ <u>(3,817)</u>
Total prior period adjustment	\$ <u><u>(3,817)</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$1,518,156, and the bank balance was \$1,553,261. 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.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 20,836
Agency Funds	General	1,353
Other Governmental Funds	Other Governmental Funds	<u>58,345</u>
Total		<u>\$ 80,534</u>

The Other Governmental Funds payable represents loans to District 4 Road Maintenance to pay engineer fees owed to the previous county engineer on state aid projects started but not completed when the county changed firms. All other amounts represent the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

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

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 97,895</u>

The principal purpose of interfund transfers was to provide funds for hospital support and maintenance. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 38,268
Mississippi Department of Corrections	8,116
Community development block grant	19,216
U. S. Department of Homeland Security	59,750
Federal Aviation Administration	7,980
U. S. Department of Agriculture, Natural Resources Conservation Services	74,462
Other revenue	943
Total Governmental Activities	<u>\$ 208,735</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2004, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
The Taylor Group	12/19/96	6.00%	11/12	<u>\$ 354,720</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2004</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 86,583				86,583
Construction in progress	370,122	309,819		(679,941)	
Total non-depreciable capital assets	<u>456,705</u>	<u>309,819</u>	<u>0</u>	<u>(679,941)</u>	<u>86,583</u>
<u>Depreciable capital assets:</u>					
Infrastructure	40,318,480			35,672,736	75,991,216
Buildings	2,680,820			357,381	3,038,201
Improvements other than buildings		28,890		322,560	351,450
Mobile equipment	2,681,321	366,100	312,760	164,987	2,899,648
Furniture and equipment	89,732	40,000			129,732
Leased property under capital leases	1,110,848	549,053	311,172	(164,987)	1,183,742
Total depreciable capital assets	<u>46,881,201</u>	<u>984,043</u>	<u>623,932</u>	<u>36,352,677</u>	<u>83,593,989</u>

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance <u>Sept. 30, 2004</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	27,154,223	92,016		24,970,916	52,217,155
Buildings	1,312,330	36,287			1,348,617
Improvements other than buildings		14,058			14,058
Mobile equipment	1,718,138	209,598	168,066	14,849	1,774,519
Furniture and equipment	52,795	38,625			91,420
Leased property under capital leases	304,839	137,280	112,022	(14,849)	315,248
Total accumulated depreciation	<u>30,542,325</u>	<u>527,864</u>	<u>280,088</u>	<u>24,970,916</u>	<u>55,761,017</u>
 Total depreciable capital assets, net	 <u>16,338,876</u>	 <u>456,179</u>	 <u>343,844</u>	 <u>11,381,761</u>	 <u>27,832,972</u>
 Governmental activities capital assets, net	 <u>\$ 16,795,581</u>	 <u>765,998</u>	 <u>343,844</u>	 <u>10,701,820</u>	 <u>27,919,555</u>

* Adjustments are the effect of transferring completed capital projects from construction in progress, lease purchase equipment paid off to mobile equipment and restating infrastructure to show road values for lane miles instead of road miles.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 37,120
Public safety	136,387
Public works	341,989
Health and welfare	11,084
Culture and recreation	<u>1,284</u>
 Total governmental activities depreciation expense	 \$ <u><u>527,864</u></u>

(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, fire fighters and road construction personnel and \$400,000 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(9) Operating Leases.

As Lessor:

The county leases property from which it expects to receive income in future years. The county did not receive any income from this lease for the year ended September 30, 2004. The future minimum lease receivables for the lease follows:

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

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,177,742
Other furniture and equipment	<u>6,000</u>
Total	1,183,742
Less: Accumulated depreciation	<u>315,248</u>
Leased Property Under Capital Leases	<u>\$ 868,494</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 236,452	19,968
2006	181,837	12,418
2007	181,427	6,636
2008	102,463	1,683
2009	<u>12,512</u>	<u>176</u>
Total	<u>\$ 714,691</u>	<u>40,881</u>

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(11) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Capital Leases:			
Caterpillar 140H motor grader	\$ 18,480	5.74%	06/05
Caterpillar 420D backhoe	9,854	4.79%	08/05
Jail kitchen equipment	2,998	3.82%	09/05
Caterpillar 140H motor grader	33,644	5.71%	11/05
2002 Ford F150 pickup	11,699	4.24%	01/07
Sakai SW650 roller	31,882	3.80%	10/07
International 9900 tractor trailer	43,913	3.80%	10/07
International 9900 tractor trailer	37,601	3.80%	10/07
Chancery/Circuit imaging system	60,659	3.67%	02/08
Volunteer fire communication system	60,144	3.28%	07/08
Caterpillar 140H motor grader	119,267	2.64%	03/08
Caterpillar 140H motor grader	114,984	2.69%	04/08
2004 Ford E-350 Type II ambulance	30,000	2.92%	08/08
(2) 2004 Ford Crown Victorias	32,103	3.19%	10/08
Caterpillar 320L track hoe	53,845	3.19%	10/08
New Holland TS115A tractor with mower	<u>53,618</u>	3.19%	08/09
Total Capital Leases	<u>\$ 714,691</u>		
B. Other Loans:			
GIS sketching system - software & hardware	\$ 6,152	4.44%	12/05
Community development block grant - The Taylor Group	354,720	6.00%	11/12
CAP loan - fire trucks	170,650	3.00%	10/12
CAP loan - fire truck	<u>94,181</u>	2.00%	01/14
Total Other Loans	<u>\$ 625,703</u>		

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 68,329	27,756
2006	67,629	24,655
2007	69,463	21,554
2008	72,718	18,299

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2009	76,147	14,869
2010 - 2014	271,417	22,494
Total	\$ <u>625,703</u>	<u>129,627</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, 2004, the county had no outstanding debt limited by the legal debt margin.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance				Balance Sept. 30, 2004	Amount due within one year
	Oct. 1, 2003	Additions	Reductions	Adjustments		
Governmental Activities:						
Capital leases	\$ 589,237	451,284	325,830		714,691	236,452
Other loans	594,822	100,000	69,119		625,703	68,329
Total	\$ <u>1,184,059</u>	<u>551,284</u>	<u>394,949</u>	<u>0</u>	<u>1,340,394</u>	<u>304,781</u>

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2004:

<u>Fund</u>	<u>Deficit Amount</u>
Courthouse Renovations	\$ 3,106
District 4 Road Maintenance	15,528
Airport Grant	105

(13) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. As of September 30, 2004, the single audit performed on these federal grants disclosed a material instance of noncompliance, resulting in questioned costs by the auditor in the amount of \$90,362. Any disallowance by the grantor agency could result in a liability of the county, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the county's financial statements.

CHOCTAW COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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

(14) **Joint Venture.**

The county participates in the following joint venture:

Choctaw County is a participant with the Counties of Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston, and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Choctaw County Board of Supervisors appoints one of the 14 members of the board of directors. Choctaw County did not appropriate any funds to the organization in fiscal year 2004. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

(15) **Jointly Governed Organizations.**

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Choctaw County Board of Supervisors appoints two of the 22 members of the board of trustees. The county appropriated \$78,010 for maintenance and support of the college in fiscal year 2004.

The Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$13,000 to the district in fiscal year 2004.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Choctaw County Board of Supervisors appoints one of the five members of the board of directors. The county appropriated \$45,799 to the district in fiscal year 2004.

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

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$14,000 for the support of the agency in fiscal year 2004.

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

CHOCTAW COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$103,889, \$100,283 and \$95,095, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2004, Choctaw County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/17/04	3.00%	\$ 110,000	Capital improvements revolving loan program	Tax levy
12/20/04	3.19%	120,976	Lease purchase	Tax levy
04/04/05	3.30%	105,751	Lease purchase	Tax levy
05/17/05	3.46%	65,865	Lease purchase	Tax levy

CHOCTAW COUNTY

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CHOCTAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,390,214	833,658	833,658	
Licenses, commissions and other revenue	77,755	70,551	70,551	
Fines and forfeitures	73,500	59,502	59,502	
In lieu tax - Tractebel		945,042	945,042	
Intergovernmental revenues	259,504	324,920	324,920	
Charges for services	60,000	93,983	93,983	
Interest income	36,567	11,945	11,945	
Miscellaneous revenues	111,650	278,494	278,494	
Total Revenues	<u>2,009,190</u>	<u>2,618,095</u>	<u>2,618,095</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,374,905	1,639,794	1,639,794	
Public safety	565,765	606,255	606,255	
Public works	4,909	45,088	45,088	
Health and welfare	83,745	78,828	78,828	
Culture and recreation	57,800	50,932	50,932	
Conservation of natural resources	42,483	46,145	46,145	
Economic development and assistance	8,000	8,000	8,000	
Debt service:				
Principal	121,583	74,435	74,435	
Interest		27,733	27,733	
Total Expenditures	<u>2,259,190</u>	<u>2,577,210</u>	<u>2,577,210</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(250,000)</u>	<u>40,885</u>	<u>40,885</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(40,000)	(40,000)	
Other financing sources	50,000	67,069	67,069	
Total Other Financing Sources and Uses	<u>50,000</u>	<u>27,069</u>	<u>27,069</u>	<u>0</u>
Net Change in Fund Balance	<u>(200,000)</u>	<u>67,954</u>	<u>67,954</u>	<u>0</u>
Fund Balances - Beginning	<u>200,000</u>	<u>205,255</u>	<u>205,255</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>273,209</u>	<u>273,209</u>	<u>0</u>

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

CHOCTAW COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

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. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types
	General Fund
Budget (Cash Basis)	\$ 67,954
Increase (Decrease)	
Net adjustments for revenue accruals	41,580
Net adjustments for expenditure accruals	<u>(43,648)</u>
GAAP Basis	<u>\$ 65,886</u>

CHOCTAW COUNTY

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CHOCTAW COUNTY

SUPPLEMENTAL INFORMATION

CHOCTAW COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1119-02-010-PF-01	\$ 60,808
Community development block grants/state's program	14.228	1113-6-010-PF-02	36,931
Community development block grants/state's program	14.228	1120-03-010-EI-01	<u>318,288</u>
Total Community development block grants/state's program			<u>416,027</u>
HOME investment partnerships program	14.239	M02-SG-28-01-0992	<u>157,612</u>
Total Expenditures of Major Federal Awards			<u>573,639</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture - Forest Service/Passed-through the Mississippi Forestry Commission Cooperative forestry assistance	10.664	N/A	<u>4,000</u>
U.S. Department of Agriculture - Natural Resources Conservation Service Soil and water conservation	10.902	69-4423-3-9354	100,000
Soil and water conservation	10.902	69-4423-4-9994	<u>74,462</u>
Total Soil and water conservation			<u>174,462</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Local law enforcement block grants program	16.592	3LB1101	<u>2,000</u>
U.S. Department of Transportation - Federal Aviation Administration Airport improvement program	20.106	3-28-0002-001-2003	<u>48,233</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>10,510</u>
Appalachian Regional Commission/Passed-through the Mississippi Department of Transportation Appalachian area development	23.002	MS-14183-2002-I-201b	<u>21,532</u>

CHOCTAW COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Health and Human Services - Health Resources and Services Administration/Passed-through the Mississippi Department of Health Rural access to emergency devices grant	93.259	N/A	<u>6,844</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	3SUP-60	37,313
State domestic preparedness equipment support program	97.004	3SSG-3010	<u>55,989</u>
Total state domestic preparedness equipment support program			<u>93,302</u>
U.S. Department of Homeland Security Assistance to firefighters grant	97.044	EMW-2002-FG-08948	<u>37,170</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency State homeland security program	97.073	2DPG-91	<u>25,000</u>
Total Expenditures of Other Federal Awards			<u>423,053</u>
Total Expenditures of Federal Awards			<u>\$ 996,692</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.

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CHOCTAW COUNTY

SPECIAL REPORTS

CHOCTAW COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Choctaw County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Choctaw County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated April 13, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. Our report includes a qualified opinion on the aggregate remaining fund information because the county did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of these accounts receivable and a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Except for the limitations related to the qualified opinions, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Choctaw County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Choctaw County, Mississippi's ability to initiate, 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 04-1 through 04-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-1 and 04-5 to be material weaknesses.

Compliance and Other Matters

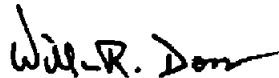
As part of obtaining reasonable assurance about whether Choctaw County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain instances of noncompliance or other matters which we have reported to the management of Choctaw County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated April 13, 2006, included within this document.

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



PHIL BRYANT
State Auditor



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

April 13, 2006



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Choctaw County, Mississippi

Compliance

We have audited the compliance of Choctaw County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. Choctaw County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Choctaw County, Mississippi's management. Our responsibility is to express an opinion on Choctaw County, Mississippi's compliance based on our audit.

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

As described in items 04-8, 04-10, 04-11 and 04-13 in the accompanying Schedule of Findings and Questioned Costs, Choctaw County, Mississippi, did not comply with requirements regarding eligibility, allowable costs/cost principles and special tests and provisions that are applicable to its Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for Choctaw County, Mississippi, to comply with requirements applicable to that program.

As described in item 04-7 in the accompanying Schedule of Findings and Questioned Costs, Choctaw County, Mississippi, did not comply with requirements regarding special tests and provisions that are applicable to its Community Development Block Grant/State's Program. Compliance with such requirements is necessary, in our opinion, for Choctaw County, Mississippi, to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the third paragraph, Choctaw County, Mississippi, did not comply in all material respects with the requirements referred to above that are applicable to its Home Investment Partnerships Program. Also, in our opinion, except for the noncompliance described in the fourth paragraph, Choctaw County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its Community Development Block Grant/State's Program for the year ended September 30, 2004.

Internal Control Over Compliance

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

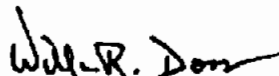
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Choctaw County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-7 through 04-13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

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



PHIL BRYANT
State Auditor



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

April 13, 2006



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Choctaw County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Choctaw County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 31-7-57(2), Miss. Code Ann. (1972), states that the Board of Supervisors may not ratify any purchase or pay for the same out of county funds unless said purchase was made in the manner provided by law. Section 31-7-113, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe the forms and procedures for implementing the central purchasing system. During the year, the Board of Supervisors approved payment of one invoice that did not have the required purchase documents in the claims file. Also, we noted one claim approved and paid by the Board of Supervisors which had no supporting documentation.

Recommendation

The Board of Supervisors should carefully review all claims presented to them for approval and should not approve payment for any purchases which are not made in the manner provided by law.

Board of Supervisors' Response

We will follow the recommendations as prescribed.

Purchase Clerk.

2. Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$100. We noted the following deviations from the prescribed systems:

- a. Some purchase documents did not have detailed descriptions or specific quantities noted on the documents.
- b. Some purchase documents appear to be completed after the fact, as evidenced by the invoice date having been changed to match the later date on the purchase requisition and order.

Recommendation

The Purchase Clerk should ensure that purchase transaction documents are present, completed with sufficient detail, including specific amounts, as required and in the proper time sequence.

Purchase Clerk's Response

I will comply with the recommendation as detailed.

Receiving Clerk.

3. Finding

Section 31-7-109, Miss. Code Ann. (1972), states that the Receiving Clerk or his assistants shall, upon proper delivery of equipment, heavy equipment, machinery, supplies, commodities, materials or services, acknowledge receipt of goods in compliance with a receipting system prescribed by the Office of the State Auditor under the authority of Section 7-7-211, Miss. Code Ann. (1972), and in accordance with Section 31-7-113, Miss. Code Ann. (1972). During our examination of the central purchasing system, we noted that some receiving reports contained no quantity or description of merchandise.

Recommendation

The Receiving Clerk should prepare the receiving report noting the quantity and description of the items received, along with the signature of the Receiving Clerk and the date received.

Receiving Clerk's Response

These problems per the examination were done before my employment. However, I will take the actions needed to see that these problems do not continue.

Inventory Control Clerk.

4. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. The following problems were noted in the capital asset records:

- (a) Capital outlay for roads totaling \$249,391 was not added to capital assets in fiscal year 2004.
- (b) Leased property of \$24,000 was misclassified as "other furniture and fixtures" in fiscal year 2004.
- (c) Capital outlay for roads added in fiscal year 2003 was overstated by \$168,030.

Recommendation

The Inventory Control Clerk should ensure that files are maintained for each road and bridge project which contain the documentation needed to determine if the project meets the requirements to be added to capital assets and the actual cost of the project. The Inventory Control Clerk should also ensure that assets are reported in the proper categories.

Inventory Control Clerk's Response

- (a) This was corrected in fiscal year ending September 30, 2005.
- (b) Total net assets on financial statement are correct even though it was misclassified on asset listing.
- (c) This was corrected in fiscal year ending September 30, 2005.

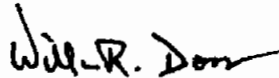
In our opinion, except for the noncompliance referred to in the preceding paragraph, Choctaw County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



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

April 13, 2006

CHOCTAW COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

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

CHOCTAW COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

Our test results did not identify any emergency purchases.

CHOCTAW COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
3/31/04	Judgement roll software, installation and training	\$ 4,000	Heritage Solutions

CHOCTAW COUNTY

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CHOCTAW COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHOCTAW COUNTY

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CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | |
| | Governmental activities | Unqualified |
| | General Fund | Qualified |
| | Aggregate remaining fund information | Qualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|----|--|-----------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | Yes |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | |
| | a. Community development block grants/state's program, CFDA #14.228 | Qualified |
| | b. HOME investment partnerships program, CFDA #14.239 | Adverse |
| 6. | Any audit findings disclosed as required by Section ____,510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Community development block grants/state's program, CFDA #14.228 | |
| | b. HOME investment partnerships program, CFDA #14.239 | |

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

- | | | |
|-----|---|-----------|
| 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.

04-1. Finding

As reported in the prior year's audit report, management did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees and the aging of these receivables. Therefore, the Independent Auditor's report is qualified on the aggregate remaining fund information because we were not able to satisfy ourselves as to the fair presentation of the solid waste accounts receivable in the Other Governmental Funds.

Recommendation

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

04-2. Finding

An effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. Inadequate controls exist in the payroll function. The employment and salaries of county employees are not authorized in the Board of Supervisors' minutes and filed in the individual personnel files. Time sheets documenting hours worked and records documenting accumulated leave are not maintained in the payroll department. Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Recommendation

The Board of Supervisors should install an adequate system of internal control over the county payroll function. An adequate system should include the following control features:

- (a) Responsibilities for the supervision and time-keeping function should be separate from personnel, payroll processing, disbursement and general ledger functions.
- (b) Authorization for all payroll and employment status changes should be recorded in the Board of Supervisors minute books.
- (c) Documentation for all payroll and employment status changes should be kept in each individual personnel file.
- (d) Payroll records should be maintained for accumulated and used employee benefits (vacation, medical, etc.).

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

- (e) Written personnel policies should be adopted and recorded in the Board of Supervisors minutes.
- (f) Hours worked should be reviewed and approved by the employee's supervisor for each payroll period.
- (g) Changes to the EDP master payroll file should be documented.
- (h) The hiring and termination of all county employees should be documented in the Board of Supervisors minute books.

Chancery Clerk.

04-3. Finding

As reported in the prior year's audit report, insufficient documentation exists within the payroll function relating to time worked and leave taken for county employees. This lack of documentation makes it more difficult to conduct an audit and could result in unauthorized payments to employees.

Recommendation

The Chancery Clerk should establish procedures to obtain and maintain payroll information relating to time worked and leave accrued and used in a central location.

Circuit Clerk.

04-4. Finding

An effective system of internal control over Circuit Clerk's fines receivable should ensure that fines receivable balances are properly aged in order to estimate the collectibility of these fines receivable. The aging schedule of the Circuit Clerk's fines receivable erroneously included some accounts of individuals who were incarcerated in past due categories even though the individuals were not scheduled to begin making payments until after their release. As a result, the allowance for doubtful accounts could be overstated.

Recommendation

The Circuit Clerk should establish procedures documenting the aging of fines receivable that ensures that all account balances are included in the proper aging categories based on delinquency.

Justice Court Clerk.

04-5. Finding

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

Recommendation

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

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Inventory Control Clerk.

04-6. Finding

An effective system of internal control over capital assets ensures that capital assets are reported in the proper categories at the correct amounts. Weak internal controls existed over capital assets. We noted the following problems:

- (a) Capital outlay for roads totaling \$249,391 was not added to capital assets in fiscal year 2004.
- (b) Leased property of \$24,000 was misclassified as "other furniture and fixtures" in fiscal year 2004.
- (c) Capital outlay for roads added in fiscal year 2003 was overstated by \$168,030.

As a result, some amounts included in infrastructure are not correct and some assets are reported in the wrong categories.

Recommendation

The Inventory Control Clerk should maintain files for each road and bridge project which contain the documentation needed to support the actual cost of the project and to determine if the project meets the requirements to be added to capital assets. The Inventory Control Clerk should also ensure that assets are reported in the proper categories.

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

04-07. Finding

14.228 Community Development Block Grants/State's Program
Grant numbers 1119-02-010-PF-01 and 1113-6-010-PF-02, U.S. Department of Housing
and Urban Development/Passed-through the Mississippi Development Authority

Reportable Condition - Material Weakness
Material Noncompliance

Compliance Requirement: Special Tests and Provisions - Controls Over Leveraged Funds Should Be Strengthened

The special conditions of the grant agreements specify that the local government is held to its leveraged fund commitment as stated in the approved applications. The amount of leveraged funds specified in these grant agreements was \$149,346. However, only \$124,851 was actually paid because an invoice in the amount of \$12,394 to the grant administrator and an invoice in the amount of \$23,471 to a contractor were not actually paid as indicated in the grant records.

During our audit testing procedures, we noted no evidence that control procedures were in place to ensure that leveraged fund commitments were actually met in accordance with the approved application. As a result, the leveraged fund commitment was not met until the auditor brought these unpaid invoices to the county's attention at which time the county paid these invoices. Also as a result, erroneous information was included in the grant closeout reports.

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Recommendation

The Choctaw County Board of Supervisors should take steps to ensure that controls are in place to ensure that leveraged funds commitments are met by reconciling actual payments posted to the county's accounting records made from leveraged funds with amounts reported in the grant records and then comparing these amounts to the required leveraged fund amounts.

04-08. Finding

14.239 Home Investment Partnerships Program
Grant number M02-SG-28-01-0992, U.S. Department of Housing and Urban
Development/Passed-through the Mississippi Development Authority

Questioned Costs: \$ 73,898

Reportable Condition - Material Weakness
Material Noncompliance

Compliance Requirement: Eligibility - Controls Over Eligibility Should Be Strengthened

The OMB *Circular A-133 Compliance Supplement* specifies that only low-income or very low-income persons, as defined in the *Code of Federal Regulations* Title 24 CFR Section 92.2, can receive housing assistance. Title 24 CFR Section 92.203 specifies that annual income shall include income from all family members. Furthermore, the *Choctaw County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* which are required as a special condition of the grant agreement, require that the total combined income of all household members shall be used to determine the income limits, that applicants will be required to identify their household assets and households with assets in excess of established amounts will automatically be considered ineligible for assistance regardless of their annual income and the home must be owned and occupied by applicants at least one year prior to the date of application for assistance.

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

- (1) All family members were identified and their income included in determining if the family was income eligible for the HOME program. As a result, some families that were not income eligible may have received HOME program assistance.
- (2) Household assets of applicants were identified and considered in determining if the applicants were eligible for the HOME program. As a result, some families that had household assets in excess of established limits may have received HOME program assistance.
- (3) Units were owned at least one year prior to the date of application for assistance. Title searches were not performed to verify ownership of any of the properties. Only copies of deeds were included in applicant's files. The date on one applicant's deed included as documentation of ownership was altered from March 25, 2003 to March 25, 2001; therefore, this applicant did not meet the one year ownership requirement. Also, the property tax records in the Choctaw County Tax Collector's office did not indicate that there was an existing house or mobile home to be rehabilitated on the land described in the deed. Another approved applicant's deed was dated less than one year prior to the date on the applicant's agreement.

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Recommendation

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

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

04-09. Finding

14.239 Home Investment Partnerships Program
Grant number M02-SG-28-01-0992, U.S. Department of Housing and Urban
Development/Passed-through the Mississippi Development Authority

Reportable Condition - Material Weakness

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

The *Choctaw County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* which are required as a special condition of the grant agreement, specify that applicants shall be ranked according to priority based on very low-income households and homes most in need of repairs. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that applicants were ranked according to priority. As a result, there was no documentation to support that applicants receiving HOME program assistance were those with the highest priority. Only two of the six original applicants included in the HOME program grant application received HOME program assistance. Three of the original applicants were replaced with other applicants without any explanation being given.

Recommendation

The Choctaw County Board of Supervisors should take steps to ensure that controls are in place to ensure that applicants receiving assistance are evaluated and ranked according to the priority areas established in the *Choctaw County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines*. They should also ensure that the reasons for substituting other applicants are documented.

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

04-10. Finding

14.239 Home Investment Partnerships Program
Grant number M02-SG-28-01-0992, U.S. Department of Housing and Urban
Development/Passed-through the Mississippi Development Authority

Questioned Costs: \$1,875

Reportable Condition - Material Weakness
Material Noncompliance

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

Choctaw County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines which are required as a special condition of the grant agreement, specify the maximum assistance that shall be granted under the HOME program and also provide that additional assistance exceeding the maximum amounts will be approved by resolution of the governing authority. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that payments for assistance provided under the HOME program did not exceed the maximum amounts allowed. As a result, payments in excess of the maximum amounts allowed were made without resolutions authorizing these excess amounts being recorded in the Board of Supervisors' minutes. The amounts of these excess payments were \$24,766 of which \$22,891 has already been identified as questioned costs in other findings in this report, leaving a remaining balance of \$1,875.

Recommendation

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

04-11. Finding

14.239 Home Investment Partnerships Program
Grant number M02-SG-28-01-0992, U.S. Department of Housing and Urban
Development/Passed-through the Mississippi Development Authority

Reportable Condition - Material Weakness
Material Noncompliance

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

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

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2004

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

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that bids were solicited for contracts for home rehabilitation. As a result, an excessive amount may have been paid for the reconstruction of the applicant's homes. The true values of the new homes as documented on the property record cards in the Tax Assessor's office are substantially less than the amounts paid through the HOME program to construct the homes indicating that excessive amounts might have been paid for these reconstructed homes. Also, the amounts actually paid exceeded the amounts stated in the initial cost estimates prepared by the building inspector. The excess payments made during the 2003-2004 fiscal year totaled \$40,331 and has already been identified as questioned costs in other findings in this report.

During our audit testing procedures, we noted no evidence that control procedures were in place to ensure that the contractors submitted the required information to the grant administrator. As a result, an ineligible contractor might have been selected.

Recommendation

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

The Choctaw County Board of Supervisors should take steps to ensure that all contractors submit the required information to the grant administrator and that this information is retained in the grant files.

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

04-12. Finding

14.239 Home Investment Partnerships Program
Grant number M02-SG-28-01-0992, U.S. Department of Housing and Urban
Development/Passed-through the Mississippi Development Authority

Reportable Condition - Material Weakness

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

In the State of Mississippi Home Investment Partnerships Program Assurances included in the HOME program grant agreement, the county assures and certifies that it will comply with the applicable requirements of the *Code of Federal Regulations* Title 24 CFR Section 92.504 concerning affordability which specifies that the agreement with the homeowners must require housing assisted with HOME funds to meet the affordability requirements and must require repayment of the funds if the housing does not meet the affordability requirements for the specified time period. This is required to be done in the form of a deed restriction.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that deed restrictions were placed on the homes as required. As a result, there were no restrictions in place to ensure that HOME funds were repaid if the house was sold or ownership otherwise transferred to someone who was not HOME eligible.

Recommendation

The Choctaw County Board of Supervisors should take steps to ensure that the required deed restrictions are filed to prevent the transfer of the property during the period of affordability to someone who is not HOME eligible.

04-13. Finding

14.239 Home Investment Partnerships Program
Grant number M02-SG-28-01-0992, U.S. Department of Housing and Urban
Development/Passed-through the Mississippi Development Authority

Questioned Costs: \$ 14,589

Reportable Condition - Material Weakness
Material Noncompliance

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

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

CHOCTAW COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Recommendation

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

CHOCTAW COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

CHOCTAW COUNTY

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DON THREADGILL
CHOCTAW COUNTY CHANCERY CLERK

P. O. Box 250 • Ackerman, Mississippi 39735
Telephone (662) 285-6329 • Fax (662) 285-3444

Chancery Judges
Sixth District

John C. Love, Jr.
Kosciusko, MS 39090

Edward C. Prisock
Louisville, MS 39339

BOARD OF SUPERVISORS
Archie Collins, District No. 1
Larry McClain, District No. 2
Chris McEntire, District No. 3
Thomas Higgins, District No. 4
Robert Kay Bowie, District No. 5

CORRECTIVE ACTION PLAN

September 5, 2006

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

Gentlemen:

The Choctaw County, Mississippi Board of Supervisors respectfully submits the following corrective action plan for the year ended September 30, 2004.

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

- 04-1:** The County's Solid Waste Clerk has been working with a representative of the Golden Triangle Planning Development District to create a computer program that will have the ability to provide an accounts receivable and accounts aging format that will bring the department into compliance. We expect to have the updated program in service by January 1, 2007. Reba Nowell, the Solid Waste Clerk, will be responsible for the implementation of the updates.
- 04-2:** (a) Beginning with the October 1, 2006 payroll, each Supervisor or department head will be required to file by the 25th of each month with the Chancery Clerk a detailed listing of the hours that each of their employees hours worked during the month, and said listing shall denote any sick days or vacations days used during the said month being reported.
- (b) In the future the Board of Supervisors will approve any and all payroll or employment changes and said approval shall be entered into the minutes of the

Board. This process shall begin immediately. Don Threadgill, Clerk to the Board, will be responsible

(c) After the Board has approved and made payroll or employment status changes, the Chancery Clerk shall make sure that the Order of the Board authorizing the changes is placed in the appropriate personnel file or Board of Supervisor's folder.

(d) As detailed in 04-2 (a), all monthly reports that are received by the payroll clerk shall be filed in the Chancery Clerk's office in a folder marked specifically for the month be reported.

(e) The Board has a personnel policy in place.

(f) Beginning the first Monday in October, 2006, and every first Monday thereafter, the Chancery Clerk will provide the Board of Supervisors with a copy of the payroll report for the preceding month. After reviewing the said report, the Board will approve said report and enter it into the minutes.

(g) All changes to the County's EDP file, will have prior approval. (See 04-2 (c))

(h) All department heads (including Supervisors) shall be required to have the hiring or termination of employees approved by the Board of Supervisors. This requirement shall begin September 1, 2006.

04-3: As denoted in 04-2 (a) and (d) the Chancery Clerk will timely and appropriately file the monthly employee time sheets, and keep a record of vacation and sick days used by each employee.

04-4: Wanda Vowell, Circuit Clerk, will begin separating active and inactive fines due to the county and will have corrective action completed by 12-31-06.

04-5: Glenda O'Bryant, Justice Court Clerk, has informed the Board of Supervisors that procedures are now in place to rectify this issue, and her September 30, 2006 report will reflect implementation.

04-6: Peggy Miller, Inventory Control Clerk, has informed the Board of Supervisors that the following corrective actions have already been taken: items (a) & (c) were corrected in FYE 09/30/05; and for subsequent audits, great care will be taken to ensure that property will not be erroneously classified.

SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

04-7: Beginning immediately, the Board of Supervisors will require the Chancery

Clerk/County Administrator and, if applicable, a Grant Administrator to put in place proper controls to ensure that leveraged revenue obligations meet the approved requirements of the program.

04-8: Beginning September 5, 2006, the Board of Supervisors will appoint the Don Threadgill, Chancery Clerk/County Administrator and Joe Griffin, Board Attorney, if applicable, to put in place proper controls to ensure that the policies, requirements, and procedures of the HOME Rehabilitation Program are met. The controls include but are not limited to:

1. To ensure that all family members are identified and their incomes included in determining if the family is income eligible.
2. Require that all applicants sign a certification stating that the family information provided includes names, ages, social security numbers and income is complete and accurate.
3. Ensure that applicants household assets are identified and that the value of these assets will be used in determining whether assets exceed the allowed amount.
4. Require applicants to execute a certification stating that their asset information is correct.
5. Research county records to see if applicants have assets not listed.
6. Require title searches and lien searches to be conducted on applicants and with findings of said searches filed in applicants folder.
7. To verify that structures to be replaces are actually on the property.

04-9: Beginning September 5, 2006 Board of Supervisors will require the Chancery Clerk/County Administrator and/or, if applicable, a Grant Administrator to put in place proper controls, relative to future HOME projects, to ensure that applicants receiving assistance are evaluated and ranked according to the to the priority areas established in the County's HOME Program, and that any substitution of applicants will be approved in the minutes of the Board.

04-10: Beginning September 5, 2006 Board of Supervisors will require the Chancery Clerk/County Administrator and/or, if applicable, a Grant Administrator to put in place proper controls, relative to HOME projects, to ensure that applicants receiving assistance do not receive payments in excess of the maximum amounts allowed without being first approved by the Board and a resolution authorizing same recorded in the board minutes.

04-11: Beginning September 5, 2006, the Board will require the Chancery Clerk/County

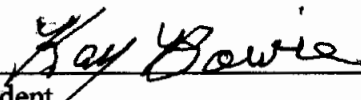
Administrator and/or, if applicable, a Grant Administrator to put in place proper controls, relative to future HOME projects, to ensure that applicants/homeowners solicits bids for the reconstruction of their homes in order to obtain the lowest price. Also, that the bids received are to be documented and tabulated, and certify that any amounts over the bid price are to be paid by the homeowner. Lastly, require that all contractors submit the necessary documentation and information to the grant administrator, and that these documents and information be properly filed and maintained.

04-12: Beginning September 5, 2006, the Board of Supervisors will require Don Threadgill, Chancery Clerk/County Administrator and Joe Griffin, Board Attorney, if applicable, to put in place proper controls, relative to future HOME projects, to ensure that the policies, requirements, and procedures of the HOME Rehabilitation Program specifically the requirements of the Code of Federal Regulations Title 24 CRF Section 92.504 are met. This control requires that deed restrictions be prepared and filed which will therefore create a restriction to the sale or transfer of said home to an ineligible recipient.

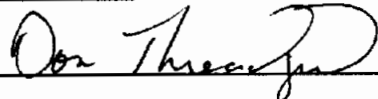
04-13: Beginning September 5, 2006, the Board will require the Chancery Clerk/County Administrator and/or, if applicable, a Grant Administrator to put in place proper controls, relative to future HOME projects, to ensure that all cost incurred are allowable and that the supporting records reflect their accuracy, thus insuring that all costs are adequately documented before paying these cost.

SO ORDERED AND APPROVED this the 5th day of September, 2006.

CHOCTAW COUNTY BOARD OF SUPERVISORS

By: 
Its President

ATTESTED

, Clerk of the Board

Contact Person: Don Threadgill
Chancery Clerk, Choctaw Co.
P.O. Box 250
Ackerman, Ms 39735
662-285-6329