



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

PHIL BRYANT
State Auditor

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

J. SCOTT SPEIGHTS, MBA, CIA, CGAP
Director, County Audit Section

OKTIBBEHA COUNTY, MISSISSIPPI

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

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*

OKTIBBEHA COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 5

PRIMARY GOVERNMENT FINANCIAL STATEMENTS 19

 Statement of Net Assets 20

 Statement of Activities 21

 Balance Sheet - Governmental Funds 22

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 23

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 24

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 25

 Statement of Fiduciary Assets and Liabilities 26

 Notes to Financial Statements 27

REQUIRED SUPPLEMENTARY INFORMATION 41

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)

 General Fund 42

 Countywide Road Maintenance Fund 43

 Countywide Bridge and Culvert Fund 44

 Notes to the Required Supplementary Information 45

SPECIAL REPORTS 47

 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* 49

 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)) 51

SCHEDULE OF FINDINGS 57

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 61

OKTIBBEHA COUNTY

FINANCIAL SECTION

OKTIBBEHA COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Oktibbeha County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of and for the year ended September 30, 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 paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management did not maintain adequate subsidiary records documenting the accounts receivable of solid waste user fees or the aging of these receivables. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of accounts receivable, net, reported on the Statement of Net Assets and in the Other Governmental Funds at \$423,540, 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.

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

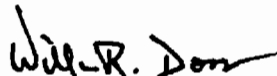
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the primary government of Oktibbeha County, Mississippi, as of September 30, 2004, and the respective 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 September 13, 2006, on our consideration of Oktibbeha County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



PHIL BRYANT
State Auditor



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

September 13, 2006

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

(This page left blank intentionally)

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
F.Y.E. SEPTEMBER 30, 2004

INTRODUCTION

The discussion and analysis of Oktibbeha County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

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

FINANCIAL HIGHLIGHTS

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

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

Total net assets increased \$995,990, which represents a 2.90% increase from the prior fiscal year. The County's ending cash balance decreased by \$432,578 which represents a 3.53% decrease from the prior fiscal year.

The County had \$12,517,114 in total revenues. Tax revenues account for \$6,410,357 or 51.21% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$2,174,250 or 17.37% of total revenues.

The County had \$11,521,124 in total expenses, which represents a decrease of \$279,068 or 2.36% decrease from the prior fiscal year. Expenses in the amount of \$3,732,981 were offset by charges for services, grants or outside contributions. General revenues of \$8,784,133 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$6,306,127 in revenues and \$6,898,593 in expenditures. The General Fund's fund balance, including the effect of \$82,144 in prior period adjustments, decreased \$674,610 from the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$2,460,654 in revenues and \$1,904,429 in expenditures. The Countywide Road Maintenance Fund's fund balance increased by \$556,225 over the prior year.

Among major funds, the Countywide Bridge and Culvert Fund had \$957,618 in revenues and \$1,077,290 in expenditures. The Countywide Bridge and Culvert Fund's fund balance decreased by \$119,672 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$653,934.

Long-term debt decreased by \$655,256.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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

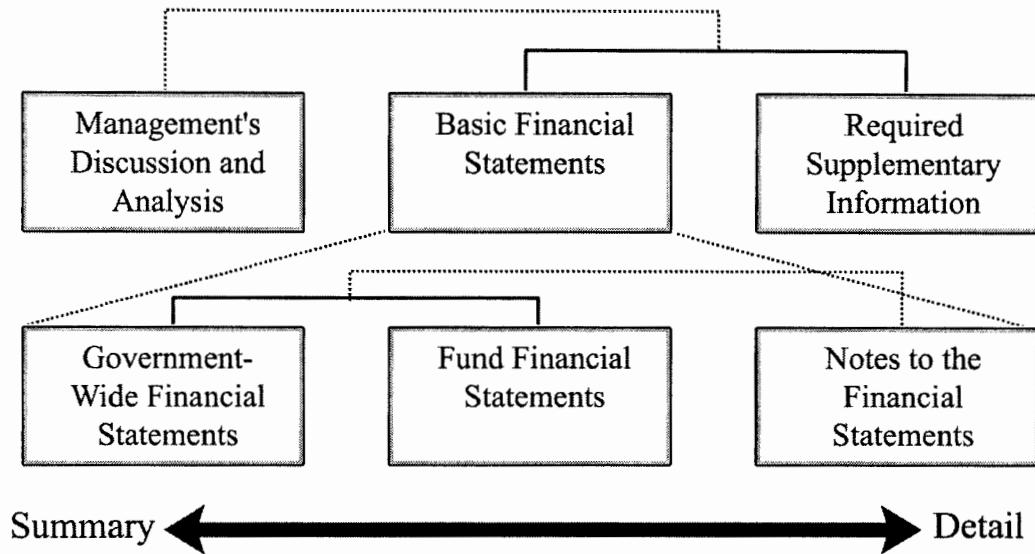


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

The Government-wide Financial Statements can be found on pages 20-21 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 23 and 25, respectively.

The County maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 22 and 24 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 26 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 27-40 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 41-45 of this report.

GOVERNMENT-WIDE FINANCIAL

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Oktibbeha County, assets exceeded liabilities by \$35,379,708 as of September 30, 2004.

By far, the largest portion of the County's net assets (75%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2004 as compared to September 30, 2003.

	2004 Governmental <u>Activities</u>	2003 Governmental <u>Activities</u>
Current assets	\$18,549,264	\$18,914,956
Capital assets, net	<u>28,316,401</u>	<u>27,662,467</u>
Total assets	<u>46,865,665</u>	<u>46,577,423</u>
Current liabilities	6,712,168	6,764,660
Long-term debt outstanding	<u>4,773,789</u>	<u>5,429,045</u>
Total liabilities	<u>11,485,957</u>	<u>12,193,705</u>
Net assets:		
Invested in capital assets, net of related debt	26,436,081	25,701,132
Restricted	4,264,264	4,685,295
Unrestricted	<u>4,679,363</u>	<u>3,997,291</u>
Total net assets	<u>\$35,379,708</u>	<u>\$34,383,718</u>

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

- \$578,267 of long-term debt principal was retired.

Changes in Net Assets – Oktibbeha County’s total revenues for the fiscal year ended September 30, 2004 was \$12,517,114. The total cost for all services provided was \$11,521,124. The increase in net assets was \$995,990. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004.

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$2,575,572	\$2,494,607
Operating grants & contributions	1,087,185	921,502
Capital grants & contributions	70,224	350,421
General revenues		
Property taxes	6,410,357	6,261,245
Road & bridge privilege taxes	378,937	372,028
Grants & contributions not restricted to specific programs	1,580,989	1,356,495
Unrestricted interest income	304,477	278,142
Lease principal payments		102,331
Miscellaneous	109,373	216,007
Transfer in from Fiduciary Fund	<u>-0-</u>	<u>23,955</u>
Total Revenues	<u>12,517,114</u>	<u>12,376,733</u>
Expenses:		
General government	3,597,842	3,478,764
Public safety	3,763,471	3,073,833
Public works	3,127,881	3,775,907
Health and welfare	427,021	361,812
Culture & Recreation ¹	139,871	127,209
Education	7,869	-0-
Conservation of natural resources	104,094	98,487
Economic development & assistance	75,310	558,436
Interest on long-term debt	<u>277,765</u>	<u>325,744</u>
Total Expenses	<u>11,521,124</u>	<u>11,800,192</u>
Increase in Net Assets	<u>\$995,990</u>	<u>\$576,541</u>

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

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

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$3,597,842	\$2,754,355
Public Safety	3,763,471	2,611,311
Public Works	3,127,881	1,463,902
Health & Welfare	427,021	401,833
Economic Development	75,310	27,143

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Oktibbeha County's governmental funds reported a combined fund balance of \$10,977,303, a decrease of \$877,046, including the effect of prior period adjustments of \$82,144. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- The county expenditures exceeded its revenues by \$794,902. Although, the county had sufficient beginning cash balances to cover the expenditures, the net loss incurred due to expenditures exceeding the revenues, which decreased the fund balance.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$592,466

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2004, Oktibbeha County’s total capital assets were \$78,458,810. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,332,340.

Total accumulated depreciation as of September 30, 2004 was \$50,142,409, including \$678,406 of depreciation expense for the year. The balance in total net capital assets was \$28,316,401 at year-end.

Additional information on Oktibbeha County’s capital assets can be found in note 7 on pages 34 and 35 of this report.

Debt Administration – At September 30, 2004, Oktibbeha County had \$4,773,789 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$614,616 is due within one year.

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

Additional information on Oktibbeha County’s long-term debt can be found in note 10 on pages 36 – 38 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Oktibbeha County is planning a major capital project in the next fiscal year, which will be the construction of a new Circuit Court and County Administration Building. Next year’s budget has taken into account this additional expense.

There are currently plans by developers for two large apartment complexes. These projects will provide numerous jobs for local citizens as well as a substantial increase in the tax base for Oktibbeha County.

Lowe’s, a large retail center, is scheduled for construction and completion this next year. This will also provide several jobs for our citizens as well as increase the County’s tax base.

With the opening of the final phase of the Hwy. 25 and Hwy. 82 bypasses around Starkville, Oktibbeha County should see rapid commercial growth in this new expanded area. This growth should have a significant impact on the increase of the County’s assessed value.

The budget for the next fiscal year reflected an increase of \$479,760 or 4.75% in revenues and an increase of \$515,331 or 3.29% in expenses. This is not expected to significantly affect the County's net assets.

Oktibbeha County has an unemployment rate of 5.6%. This compares favorably with the state average rate of 6.3%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

OKTIBBEHA COUNTY

(This page left blank intentionally)

OKTIBBEHA COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

OKTIBBEHA COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	<u>Primary Government</u>
	Governmental Activities
ASSETS	
Cash	\$ 11,816,742
Accrued interest receivable	20,470
Property tax receivable	4,946,217
Accounts receivable (net of allowance for uncollectibles of \$1,526,817)	423,540
Fines receivable (net of allowance for uncollectibles of \$3,403,965)	436,253
Loans receivable	642,135
Intergovernmental receivables	173,419
Other receivables	90,488
Capital assets, net	28,316,401
Total Assets	<u>46,865,665</u>
LIABILITIES	
Claims payable	910,093
Amounts held in custody for others	314,969
Claims and judgments payable	59,244
Intergovernmental payables	462,634
Unearned revenue	4,965,228
Long-term liabilities	
Due within one year:	
Capital debt	82,588
Non-capital debt	532,028
Due in more than one year:	
Capital debt	1,797,732
Non-capital debt	2,361,441
Total Liabilities	<u>11,485,957</u>
NET ASSETS	
Invested in capital assets, net of related debt	26,436,081
Restricted:	
Expendable:	
General government	14,951
Debt service	982,509
Public safety	583,756
Public works	2,580,834
Culture and recreation	19,624
Economic development	82,590
Unrestricted	4,679,363
Total Net Assets	<u>\$ 35,379,708</u>

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

OKTIBBEHA COUNTY
Statement of Activities
For the Year Ended September 30, 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	\$ 3,597,842	804,215	39,272		(2,754,355)
Public safety	3,763,471	748,140	354,020	50,000	(2,611,311)
Public works	3,127,881	1,023,217	620,538	20,224	(1,463,902)
Health and welfare	427,021		25,188		(401,833)
Culture and recreation	139,871				(139,871)
Education	7,869				(7,869)
Conservation of natural resources	104,094				(104,094)
Economic development and assistance	75,310		48,167		(27,143)
Interest on long-term debt	277,765				(277,765)
Total Governmental Activities	\$ 11,521,124	2,575,572	1,087,185	70,224	(7,788,143)
General revenues:					
Property taxes				\$ 6,410,357	
Road & bridge privilege taxes				378,937	
Grants and contributions not restricted to specific programs				1,580,989	
Unrestricted interest income				304,477	
Miscellaneous				109,373	
Total General Revenues				8,784,133	
Changes in Net Assets					995,990
Net Assets - Beginning					34,383,718
Net Assets - Ending					\$ 35,379,708

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

OKTIBBEHA COUNTY
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 7,760,163	1,560,555	353,234	2,142,790	11,816,742
Accrued interest receivable	19,329			1,141	20,470
Property tax receivable	3,298,813	607,415	689,540	350,449	4,946,217
Accounts receivable (net of allowance for uncollectibles of \$1,526,817)				423,540	423,540
Fines receivable (net of allowance for uncollectibles of \$3,403,965)	436,253				436,253
Loans receivable				642,135	642,135
Intergovernmental receivables	173,419				173,419
Other receivables	11,721			78,767	90,488
Due from other funds		68,059	42,655	24,825	135,539
Total Assets	\$ 11,699,698	2,236,029	1,085,429	3,663,647	18,684,803
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 508,249	139,522	93,635	168,687	910,093
Amounts held in custody for others	314,969				314,969
Claims and judgments liability	59,244				59,244
Intergovernmental payables	452,187	10,447			462,634
Due to other funds	135,539				135,539
Unearned revenue	3,298,813	607,415	689,540	369,460	4,965,228
Deferred revenue	436,253			423,540	859,793
Total Liabilities	5,205,254	757,384	783,175	961,687	7,707,500
Fund balances:					
Reserved for:					
Debt service				982,509	982,509
Loans receivable				642,135	642,135
Unreserved, reported in:					
General Fund	6,494,444				6,494,444
Special Revenue Funds		1,478,645	302,254	1,077,316	2,858,215
Total Fund Balances	6,494,444	1,478,645	302,254	2,701,960	10,977,303
Total Liabilities and Fund Balances	\$ 11,699,698	2,236,029	1,085,429	3,663,647	18,684,803

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,977,303
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 \$50,142,409.	28,316,401
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	859,793
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(4,773,789)</u>
Total Net Assets - Governmental Activities	<u>\$ 35,379,708</u>

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

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

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund		
REVENUES					
Property taxes	\$ 4,368,033	587,169	950,569	504,586	6,410,357
Road and bridge privilege taxes		378,937			378,937
Licenses, commissions and other revenue	339,254	987	585	12,306	353,132
Fines and forfeitures	359,322			22,091	381,413
Intergovernmental revenues	619,690	1,475,526	6,156	637,026	2,738,398
Charges for services	299,837			977,344	1,277,181
Interest income	249,802			54,675	304,477
Miscellaneous revenues	70,189	18,035	308	20,841	109,373
Total Revenues	6,306,127	2,460,654	957,618	2,228,869	11,953,268
EXPENDITURES					
Current:					
General government	3,672,763			3,819	3,676,582
Public safety	2,504,942			1,265,270	3,770,212
Public works	31,982	1,904,429	1,077,290	693,277	3,706,978
Health and welfare	420,189				420,189
Culture and recreation	138,773				138,773
Conservation of natural resources	104,094				104,094
Economic development and assistance	25,850			49,460	75,310
Debt service:					
Principal				578,267	578,267
Interest				277,765	277,765
Total Expenditures	6,898,593	1,904,429	1,077,290	2,867,858	12,748,170
Excess of Revenues over (under) Expenditures	<u>(592,466)</u>	<u>556,225</u>	<u>(119,672)</u>	<u>(638,989)</u>	<u>(794,902)</u>
Net Changes in Fund Balances	(592,466)	556,225	(119,672)	(638,989)	(794,902)
Fund Balances - Beginning	7,169,054	922,420	421,926	3,340,949	11,854,349
Prior period adjustment	(82,144)				(82,144)
Fund Balances - Beginning, as restated	<u>7,086,910</u>	<u>922,420</u>	<u>421,926</u>	<u>3,340,949</u>	<u>11,772,205</u>
Fund Balances - Ending	\$ 6,494,444	1,478,645	302,254	2,701,960	10,977,303

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

OKTIBBEHA 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	\$ (794,902)
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 \$1,332,340 exceeded depreciation of \$678,406 in the current period.	653,934
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.	140,306
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.	423,540
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 of debt repayments.	578,267
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in compensated absences.	<u>(5,155)</u>
Change in Net Assets of Governmental Activities	<u>\$ 995,990</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 124,323
Total Assets	<u>\$ 124,323</u>
LIABILITIES	
Amounts held in custody for others	\$ 15,551
Intergovernmental payables	<u>108,772</u>
Total Liabilities	<u>\$ 124,323</u>

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

OKTIBBEHA COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 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 Fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

The county reports the following major Governmental Funds:

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

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

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

OKTIBBEHA COUNTY

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

OKTIBBEHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 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 retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Long-term Liabilities.

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

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

OKTIBBEHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 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 appropriate or are legally segregated for a specific purpose.

K. Property Tax Revenues.

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

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

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

OKTIBBEHA COUNTY

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

M. Compensated Absences.

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

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

Explanation	Amount
To record claims and judgments liability omitted in error	\$ <u>(82,144)</u>
Total prior period adjustment	\$ <u><u>(82,144)</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$11,941,065, and the bank balance was \$12,193,412. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

OKTIBBEHA COUNTY

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

(4) Interfund Transactions and Balances.

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

Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Countywide road maintenance	General	\$ 68,059
Countywide bridge and culvert	General	42,655
Other Governmental Funds	General	24,825
Total		\$ 135,539

The receivables represent the tax revenue and fine 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.

(5) Intergovernmental Receivables.

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

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 164,694
Reimbursement for housing prisoners	8,725
Total Governmental Activities	\$ 173,419

(6) Loans Receivable.

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

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Hewlett, Inc. #2	06/06/94	6.00%	09/01/09	\$ 102,529
Hewlett, Inc. #3	10/20/95	6.00%	11/01/09	105,448
Global Aircraft	03/10/02	6.50%	06/01/07	434,158
Total				\$ 642,135

OKTIBBEHA COUNTY

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

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 836,133				836,133
Construction in progress		65,625			65,625
Total non-depreciable capital assets	<u>836,133</u>	<u>65,625</u>	<u>0</u>	<u>0</u>	<u>901,758</u>
<u>Depreciable capital assets:</u>					
Infrastructure	65,170,706	367,309			65,538,015
Buildings	4,602,159				4,602,159
Mobile equipment	5,806,876	806,513			6,613,389
Furniture and equipment	475,749	92,893			568,642
Leased property under capital leases	234,847				234,847
Total depreciable capital assets	<u>76,290,337</u>	<u>1,266,715</u>	<u>0</u>	<u>0</u>	<u>77,557,052</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	43,764,061	100,171			43,864,232
Buildings	1,702,487	67,816			1,770,303
Mobile equipment	3,627,840	424,538			4,052,378
Furniture and equipment	309,227	55,686			364,913
Leased property under capital leases	60,388	30,195			90,583
Total accumulated depreciation	<u>49,464,003</u>	<u>678,406</u>	<u>0</u>	<u>0</u>	<u>50,142,409</u>
Total depreciable capital assets, net	<u>26,826,334</u>	<u>588,309</u>	<u>0</u>	<u>0</u>	<u>27,414,643</u>
Governmental activities capital assets, net	<u>\$ 27,662,467</u>	<u>653,934</u>	<u>0</u>	<u>0</u>	<u>28,316,401</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 58,545
Public safety	234,224
Public works	369,838
Health and welfare	6,832
Culture and recreation	1,098
Education	<u>7,869</u>
Total governmental activities depreciation expense	<u>\$ 678,406</u>

OKTIBBEHA COUNTY

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

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Circuit Court Building	\$ 2,500,000	August 2005

(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.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$25,000 and the aggregate policy covers all submitted claims in excess of \$1,000,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2003 and 2004:

	<u>2003</u>	<u>2004</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 142,777	82,144
Plus: Incurred Claims (Including IBNRs)	1,271,685	974,880
Less: Claims Payments	<u>1,332,318</u>	<u>997,780</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 82,144</u>	<u>59,244</u>

OKTIBBEHA COUNTY

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

(9) Capital Leases.

As Lessee:

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

Class of Property	Governmental Activities
Other furniture and equipment	\$ 234,847
Less: Accumulated depreciation	<u>90,583</u>
Leased Property Under Capital Leases	<u>\$ 144,264</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2005	\$ 32,588	9,142
2006	34,240	7,490
2007	35,976	5,754
2008	37,800	3,930
2009	<u>39,716</u>	<u>2,014</u>
Total	<u>\$ 180,320</u>	<u>28,330</u>

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Research park	\$ 215,000	9.75%	12/01/04
Research park (1987)	540,000	7.375/8.00%	03/01/07
2001 road and bridge construction	<u>1,700,000</u>	4.20/6.00%	03/01/21
Total General Obligation Bonds	<u>\$ 2,455,000</u>		
B. Capital Leases:			
911 emergency communications	<u>\$ 180,320</u>	5.07%	05/10/09

OKTIBBEHA COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
Business incubator loan	\$ 250,000	0.00%	05/15/06
Hewlett community development block grant	103,992	6.00%	09/01/09
Hewlett community development block grant	106,897	6.00%	11/01/09
Service Zone cap loan	418,011	5.66%	04/01/16
Service Zone cap loan	420,157	5.66%	05/01/16
Global Aircraft community development block grant	434,157	6.50%	06/01/17
Service Zone Tennessee Valley Authority loan	<u>274,096</u>	2.74%	10/15/10
Total Other Loans	<u>\$ 2,007,310</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2005	\$ 430,000	126,188	152,028	89,466
2006	255,000	98,156	411,372	84,412
2007	270,000	79,266	169,793	75,991
2008	75,000	68,025	178,682	67,101
2009	75,000	64,650	188,036	57,690
2010 - 2014	500,000	261,375	627,905	175,484
2015 - 2019	600,000	136,037	279,494	19,469
2020 - 2024	<u>250,000</u>	<u>12,188</u>		
Total	<u>\$ 2,455,000</u>	<u>845,885</u>	<u>2,007,310</u>	<u>569,613</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 amount of outstanding debt was equal to 1.27% of the latest property assessments.

OKTIBBEHA COUNTY

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

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

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments *	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 126,004	5,155			131,159	
Claims and judgments	82,144			(82,144)		
General obligation bonds	2,855,000		400,000		2,455,000	430,000
Capital leases	211,335		31,015		180,320	32,588
Other loans	2,154,562		147,252		2,007,310	152,028
Total	\$ 5,429,045	5,155	578,267	(82,144)	4,773,789	614,616

* This adjustment is to correct a prior year error.

(11) Contingencies.

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

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

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Oktibbeha County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the county has pledged the avails of a five mill levy in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2004, is \$16,090,000.

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2004</u>
Hospital revenue refunding bonds	\$ <u>1,410,000</u>

OKTIBBEHA COUNTY

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

(13) Related Organizations.

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

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

(14) Joint Ventures.

The county participates in the following joint ventures:

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Oktibbeha County Library. The joint venture is governed by ten members, five appointed by each government. By contractual agreement, the county's appropriation to the joint venture was \$138,773 in fiscal year 2004. Complete financial statements for the Oktibbeha County Library can be obtained from 326 University Drive, Starkville, MS 39759.

Oktibbeha County is a participant with the Counties of Choctaw, Clay, Lowndes, Noxubee and Webster, and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Oktibbeha County Board of Supervisors appoints one of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from P.O. Drawer DN, Mississippi State, MS 39762.

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Oktibbeha County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$629,388 for maintenance and support of the college in fiscal year 2004.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Oktibbeha County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$24,500 for support of the district in fiscal year 2004.

Golden Triangle Regional Airport Authority operates in a district composed of the Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville and West Point. The Oktibbeha County Board of Supervisors appoints one of the five members of the board of commissioners. The county provided no financial support for the authority in fiscal year 2004.

OKTIBBEHA COUNTY

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

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Oktibbeha County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$45,441 for support of the agency in fiscal year 2004.

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

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

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$392,753, \$364,374 and \$337,767, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2004, Oktibbeha 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>
11/15/04	3.11%	\$ 72,277	Lease purchase	Interface fees
09/10/05	3.41%	225,000	Lease purchase	Tax levy

OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA 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	\$ 4,456,460	4,364,524	4,364,524	
Licenses, commissions and other revenue	305,700	332,743	332,743	
Fines and forfeitures	326,400	358,365	358,365	
Intergovernmental revenues	606,000	842,220	842,220	
Charges for services	300,000	316,865	316,865	
Interest income	245,000	251,646	251,646	
Miscellaneous revenues	71,900	98,346	98,346	
Total Revenues	<u>6,311,460</u>	<u>6,564,709</u>	<u>6,564,709</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	7,675,811	3,602,171	3,602,171	
Public safety	2,618,739	2,523,646	2,523,646	
Public works	32,000	31,982	31,982	
Health and welfare	393,632	420,078	420,078	
Culture and recreation	138,773	138,773	138,773	
Education	214,800	206,351	206,351	
Conservation of natural resources	114,359	102,598	102,598	
Economic development and assistance	38,000	25,850	25,850	
Total Expenditures	<u>11,226,114</u>	<u>7,051,449</u>	<u>7,051,449</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(4,914,654)</u>	<u>(486,740)</u>	<u>(486,740)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		4,788	4,788	
Transfers in			425,372	425,372
Transfers out			(425,372)	(425,372)
Total Other Financing Sources and Uses	<u>0</u>	<u>4,788</u>	<u>4,788</u>	<u>0</u>
Net Change in Fund Balance	(4,914,654)	(481,952)	(481,952)	0
Fund Balances - Beginning	<u>4,925,426</u>	<u>7,169,054</u>	<u>7,169,054</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 10,772</u>	<u>6,687,102</u>	<u>6,687,102</u>	<u>0</u>

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

OKTIBBEHA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 801,061	822,176	822,176	
Road and bridge privilege taxes	275,000	380,139	380,139	
Licenses, commissions and other revenue		987	987	
Intergovernmental revenues	966,000	1,503,254	1,503,254	
Miscellaneous revenues		2,342	2,342	
Total Revenues	<u>2,042,061</u>	<u>2,708,898</u>	<u>2,708,898</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,014,011	2,144,244	2,144,244	
Total Expenditures	<u>3,014,011</u>	<u>2,144,244</u>	<u>2,144,244</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(971,950)</u>	<u>564,654</u>	<u>564,654</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		11,585	11,585	
Total Other Financing Sources and Uses	<u>0</u>	<u>11,585</u>	<u>11,585</u>	<u>0</u>
Net Change in Fund Balance	(971,950)	576,239	576,239	0
Fund Balances - Beginning	<u>971,950</u>	<u>922,420</u>	<u>922,420</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,498,659</u>	<u>1,498,659</u>	<u>0</u>

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

OKTIBBEHA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 909,312	950,436	950,436	
Licenses, commissions and other revenue		585	585	
Intergovernmental revenues	5,000	6,156	6,156	
Miscellaneous revenues		308	308	
Total Revenues	<u>914,312</u>	<u>957,485</u>	<u>957,485</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,401,861	1,016,044	1,016,044	
Total Expenditures	<u>1,401,861</u>	<u>1,016,044</u>	<u>1,016,044</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(487,549)</u>	<u>(58,559)</u>	<u>(58,559)</u>	<u>0</u>
Net Change in Fund Balance	<u>(487,549)</u>	<u>(58,559)</u>	<u>(58,559)</u>	<u>0</u>
Fund Balances - Beginning	<u>487,549</u>	<u>421,926</u>	<u>421,926</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>363,367</u>	<u>363,367</u>	<u>0</u>

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

OKTIBBEHA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 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 and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ (481,952)	576,239	(58,559)
Increase (Decrease)			
Net adjustments for revenue accruals	(168,239)	19,852	133
Net adjustments for expenditure accruals	57,725	(39,866)	(61,246)
GAAP Basis	\$ (592,466)	556,225	(119,672)

OKTIBBEHA COUNTY

(This page left blank intentionally)

OKTIBBEHA COUNTY

SPECIAL REPORTS

OKTIBBEHA COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Oktibbeha County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated September 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 units. Our report includes a qualified opinion on the aggregate remaining fund information because the county did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of these receivables. Except for the limitations related to the opinion qualification, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oktibbeha County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Oktibbeha County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 04-1.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

September 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
Oktibbeha County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Oktibbeha County, Mississippi, as of and for the year ended September 30, 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 Oktibbeha County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Oktibbeha County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

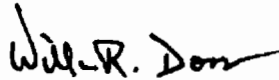
In our opinion, Oktibbeha County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



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

September 13, 2006

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.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
05/10/04	Computer system	\$ 55,534	Premise, Inc.	The computer system was destroyed by lightning.

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

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

(This page left blank intentionally)

OKTIBBEHA COUNTY

SCHEDULE OF FINDINGS

OKTIBBEHA COUNTY

(This page left blank intentionally)

OKTIBBEHA COUNTY

Schedule of Findings
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 | Unqualified |
| | Countywide Road Maintenance Fund | Unqualified |
| | Countywide Bridge Fund | Unqualified |
| | Aggregate remaining fund information | Qualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the primary government financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

04-1. Finding

Control procedures were not in place over the reporting of solid waste billings, collections and accounts receivable. We noted the following problems with the solid waste reports:

- a. A detailed aged accounts receivable report for solid waste fees was not prepared.
- b. The beginning balances for the solid waste user fee reports for each month did not match the prior month ending balances.
- c. Numerous adjustments were reported on the solid waste user fee reports. The net effect of these adjustments for the 2003-2004 fiscal year was an increase of \$193,177 to the account balances. Charges for court fees and interest fees were co-mingled with adjustments to user fees. In the May 2004 report, adjustments appear to have been made to add the amounts of payments received during that month totaling \$49,261.71 back to the accounts receivable balances. Based on the information reported in subsequent solid waste user fee reports, it does not appear that these payments were deducted from the accounts receivable balances as of September 30, 2004.

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

OKTIBBEHA COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

Recommendation

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

Board of Supervisors' Response

We will ensure that the requests for the changes needed to show net value in our financial statements are made. In addition, we will make sure that ending balances will agree with the next month's beginning balance and court fees and interest fees will not be co-mingled with user fees.

OKTIBBEHA COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

OKTIBBEHA COUNTY

(This page left blank intentionally)

DON C. POSEY

COUNTY ADMINISTRATOR

OKTIBBEHA COUNTY

BOARD OF SUPERVISORS

CARL CLARDY
ORLANDO TRAINER
TERRY KELLUM
DAVID OSWALT
GEORGE CURRY

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2004

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

Gentlemen:

Oktribbeha County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

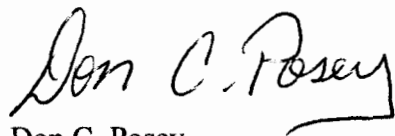
2003 - FINDING NO. 03-4: Community development block grants/Brownfields economic development initiative CFDA No. 14.246; Grant No. B-02-SP-MS-0358

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

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

Current Status: Corrective action was taken.

Sincerely yours,



Don C. Posey
Oktribbeha County Administrator
662.323.1520