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Town of Osyka
Osyka, Mississippi
Audited Financial Statements
September 30, 2007

RECEIVED
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STATE AUDITOR'S OFFICE

VERBALEE B. WATTS & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

602 WEST CONGRESS ST. (39601)
P.O. BOX 226
BROOKHAVEN, MISSISSIPPI 39602

TOWN OF OSYKA, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2007

VERBALEE B. WATTS
CERTIFIED PUBLIC ACCOUNTANT

TOWN OF OSYKA, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

VERBALEE B. WATTS
CERTIFIED PUBLIC ACCOUNTANT

VERBALEE B. WATTS
CERTIFIED PUBLIC ACCOUNTANT
602 W. CONGRESS ST.
P.O. BOX 226 TELEPHONE 833-8683
BROOKHAVEN, MISSISSIPPI 39601

*Member of Mississippi Society
of Certified Public Accountants*

November 16, 2007

*Member of American Institute
of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Town of Osyka, Mississippi

We have audited the accompanying Combined Statement of Cash Receipts and Disbursements, governmental and business-type activities for the Town of Osyka, Mississippi, for the year ended September 30, 2007, as listed in the table of contents, which comprise a portion of the Town's basic financial statements required by accounting principles generally accepted in the United States of America, as applied to the Town's cash receipts and disbursements basis of accounting. These financial statements and schedules are the responsibility of the Town of Osyka's management. Our responsibility is to express an opinion on the Cash Receipts and Disbursements based on our audit.

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

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 16, 2007 on my consideration of the Town of Osyka's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

Town of Osyka, Mississippi
Page 2

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

VERBALEE B. WATTS & ASSOCIATES

A handwritten signature in cursive script that reads "Verbalee B. Watts". The signature is written in dark ink and is positioned below the printed name.

Verbalee B. Watts
Certified Public Accountant

FINANCIAL STATEMENTS

TOWN OF OSYKA, MISSISSIPPI
COMBINED STATEMENT OF
CASH RECEIPTS AND CASH DISBURSEMENTS - ALL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Governmental</u> <u>-- Activities--</u>	<u>Business-type</u> <u>--Activities--</u>	--- Memorandum Only ---	
	<u>General</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
<u>REVENUE RECEIPTS</u>				
General Property	\$ 76,331	\$ -	\$ 76,331	\$ 74,535
Licenses and Permits	702	-	702	893
Franchise & In-Lieu Tax	13,509	-	13,509	14,543
Intergovernmental Revenues:				
General Municipal Aid (From State)	598	-	598	251
State Shared Revenues:				
Grand Gulf	3,917	-	3,917	4,092
Sales Tax	44,709	-	44,709	46,086
Gasoline Tax	972	-	972	1,319
Homestead Exemption Reimbursement	7,365	-	7,365	6,948
Charges for Services:				
Water/Sewer Utility	-	115,077	115,077	116,545
Garbage	28,932	-	28,932	29,597
Fines and Forfeitures	14,566	-	14,566	8,048
<u>TOTAL REVENUE RECEIPTS</u>	<u>191,601</u>	<u>115,077</u>	<u>306,678</u>	<u>302,857</u>
<u>OTHER RECEIPTS</u>				
Interest	1,361	1,300	2,661	3,028
Meter Deposits	-	2,596	2,596	-
Miscellaneous	5,002	3,627	8,629	17,589
Grant Funds	119,881	8,498	128,379	619,165
<u>TOTAL OTHER RECEIPTS</u>	<u>126,244</u>	<u>16,021</u>	<u>142,265</u>	<u>639,782</u>
<u>TOTAL RECEIPTS</u>	<u>317,845</u>	<u>131,098</u>	<u>448,943</u>	<u>942,639</u>
<u>CASH BALANCE -</u>				
<u>BEGINNING OF YEAR</u>	<u>28,526</u>	<u>41,595</u>	<u>70,121</u>	<u>67,037</u>
<u>TOTAL AMOUNT</u>				
<u>TO ACCOUNT FOR</u>	<u>\$ 346,371</u>	<u>\$ 172,693</u>	<u>\$ 519,064</u>	<u>\$ 1,009,676</u>

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

TOWN OF OSYKA, MISSISSIPPI
COMBINED STATEMENT OF
CASH RECEIPTS AND CASH DISBURSEMENTS - ALL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Governmental</u>		<u>Business-type</u>	
	<u>---Activities---</u>		<u>---Activities---</u>	
	<u>General</u>	<u>Water</u>	<u>--- Memorandum Only ---</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>	
			<u>2,007</u>	<u>2,006</u>
<u>CASH DISBURSEMENTS</u>				
Salaries	\$ 92,340	\$ 39,804	\$ 132,144	\$ 121,723
Retirement	10,450	4,207	14,657	12,439
Payroll Taxes	7,778	3,503	11,281	10,529
Repairs	4,280	41,843	46,123	42,071
Supplies	14,265	-	14,265	8,793
Other Services and Repairs	9,698	1,986	11,684	8,829
Fire Protection	2,276	-	2,276	3,095
Insurance	11,649	9,437	21,086	13,504
Garbage WMI	27,328	-	27,328	24,411
Legal and Professional	7,200	-	7,200	6,530
Equipment Rental	3,182	4,314	7,496	1,591
Utilities	5,702	8,083	13,785	13,020
Repairs - Street and Lights	19,057	-	19,057	17,214
Library Expense	2,405	-	2,405	1,836
Interest on Notes	-	6,034	6,034	6,596
Note Payable FHA	-	2,182	2,182	2,032
Note Payable SRF	-	10,256	10,256	9,843
Travel Expense	1,039	3,772	4,811	3,446
Notes Payable - Liberty Tractor	-	-	-	1,321
Capital Outlay	37,785	-	37,785	25,218
Sewer Repair	-	-	-	295,188
Katrina Cleanup	71,124	-	71,124	310,325
	<u>327,558</u>	<u>135,421</u>	<u>462,979</u>	<u>939,554</u>
<u>CASH BALANCE-END OF YEAR</u>	<u>18,813</u>	<u>37,272</u>	<u>56,085</u>	<u>70,122</u>
<u>TOTAL AMOUNT</u>				
<u>ACCOUNTED FOR</u>	<u>\$ 346,371</u>	<u>\$ 172,693</u>	<u>\$ 519,064</u>	<u>\$ 1,009,676</u>

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

TOWN OF OSYKA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

The Cash Receipts and Disbursements of the Town consist of all the funds of the Town. There are no component units.

B. Fund accounting

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

Governmental Funds

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs not paid through other funds are paid from the General Fund.

Proprietary Funds

Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Basis of Accounting

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

(2) Report Classification

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

(3) Encumbrance Accounting

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

TOWN OF OSYKA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(4) **Collateral for deposits**

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution should be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(5) **Compensated Absences**

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

(6) **Tax Revenue**

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

(7) **Defined Benefit Pension Plan**

Plan Description

The town of Osyka, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee's Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the Town of Osyka is required to contribute at an actuarial determined rate. The current rate is 11.85% of covered payroll.

The contribution of PERS members is established and may be amended only by the State of Mississippi Legislature. The Town of Osyka, Mississippi contributions to PERS for the year ended September 30, 2007 was \$14,657.36 which equaled the required contributions for the year.

(8) **Commitments and Contingencies**

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

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

SUPPLEMENTAL INFORMATION

TOWN OF OSYKA, MISSISSIPPI
SCHEDULE OF INVESTMENTS – ALL FUNDS
SEPTEMBER 30, 2007

GENERAL FUND:

Certificate of Deposit
General Revenue

Certificate #83258, issued 2/10/97
maturity 2/10/08, bearing 4.0% interest \$ 834

TOTAL GENERAL FUND 834

ENTERPRISE FUND:

Certificate of Deposit
Bond and Interest Fund

Certificate # 87438, issued 11/16/95
maturity 10/16/07, bearing 3.25% interest 14,592

Water Contingent and Depreciation Fund

Certificate # 78210, issued 8/18/97
maturity 8/18/08, bearing 4.0% interest 1,705

Certificate # 88946, issued 11/8/96
maturity 11/8/08, bearing 4.0% interest 6,313

Water and Sewer Cushion Fund

Certificate # 87435, issued 3/24/96
maturity 3/9/08, bearing 3.0% interest 1,801

Certificate # 87437, issued 4/3/97
maturity 3/18/08, bearing 3.02% interest 4,501

TOTAL ENTERPRISE FUND 28,912

TOTAL INVESTMENTS - ALL FUNDS \$ 29,746

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

TOWN OF OSYKA, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
SEPTEMBER 30, 2007

Date of Issue	Purpose	Balance Outstanding 10/1/06	Transactions During Fiscal Year		Balance Outstanding 9/30/07
			Issued	Redeemed	
9/30/91	Water Sewer Improvements	\$ 32,147	-	\$ 2,182	\$ 29,965
6/30/94	Water Sewer Improvements	89,426	-	10,256	79,170
		<u>\$ 121,573</u>	<u style="text-align: center;">-</u>	<u>\$ 12,438</u>	<u>\$ 109,135</u>

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

INTERNAL CONTROL AND COMPLIANCE

VERBALEE B. WATTS
CERTIFIED PUBLIC ACCOUNTANT
602 W. CONGRESS ST.
P.O. BOX 226 TELEPHONE 833-8683
BROOKHAVEN, MISSISSIPPI 39601

*Member of Mississippi Society
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November 16, 2007

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of Certified Public Accountants*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF CASH RECEIPTS AND DISBURSEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and Board of Alderman
Town of Osyka, Mississippi

We have audited the combined statement of Cash Receipts and Disbursements — governmental and business-type — of Town of Osyka, Mississippi, as of and for the year ended September 30, 2007 and have issued our report thereon dated November 16, 2007. 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 the Town of Osyka, Mississippi's financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the cash receipts and disbursements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Osyka's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Osyka, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Osyka, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Osyka, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the Town of Osyka, Mississippi's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Condition: The current size of the Town's workforce limits the ability to employ adequate segregation of duties. Most office duties are performed by the Town Clerk.

Criteria: No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Recommendation: The town should continue to keep up with daily activity and closely review and approve transactions. A board member or their designee, should receive and open the bank statements and review the completed reconciliations, review and approve journal entries and subsidiary ledgers.

Response: The Town concurs with this recommendation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Osyka, Mississippi's internal control.

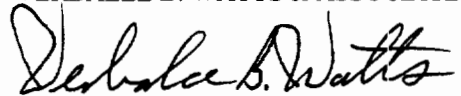
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described is not a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Town of Osyka, Mississippi's Cash Receipts and Disbursements 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 cash receipts and disbursements 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 for the information of the Mayor and Board of Alderpersons, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VERBALEE B. WATTS & ASSOCIATES



Verbalee B. Watts
Certified Public Accountant

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

VERBALEE B. WATTS
CERTIFIED PUBLIC ACCOUNTANT

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November 16, 2007

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

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

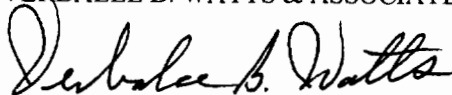
We have audited the combined statement of cash receipts and disbursements of the Town of Osyka for the year ended September 30, 2007 and have issued our report thereon dated November 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

VERBALEE B. WATTS & ASSOCIATES



Verbalee B. Watts
Certified Public Accountant