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GREENE COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012**

**Greene County, Mississippi
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Greene County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

As discussed in Note 1(I) to the financial statements, the county has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets and, accordingly, has not recorded the appropriate depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that adequate records must be maintained to document the existence, completeness and valuation of governmental activities capital assets including the county's infrastructure, and also that the depreciation on governmental activities capital assets, including infrastructure, be adequately documented. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Greene County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of Greene County, Mississippi, as of September 30, 2012, 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.

Finally, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Greene County, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 October 14, 2013, on our consideration of Greene 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.

Greene County, Mississippi, has omitted the Management's Discussion and Analysis and the Budgetary Comparison Schedule(s) and the corresponding notes, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greene County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

FINANCIAL STATEMENTS

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Greene County, Mississippi
Statement of Net Assets
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,450,996	\$ 12,313	\$ 6,463,309
Property tax receivable	5,151,867	146,316	5,298,183
Accounts receivable (net of allowance for uncollectibles of \$94,366)	-	99,809	99,809
Fines receivable (net of allowance for uncollectibles of \$302,972)	316,594	-	316,594
Intergovernmental receivables	79,178	-	79,178
Other receivables	8,761	-	8,761
Internal balances	11,474	(11,474)	-
Deferred charges - bond issuance costs	173,240	-	173,240
Restricted assets	648,869	-	648,869
Capital assets:			
Land	266,998	-	266,998
Other capital assets	13,060,840	-	13,060,840
Other capital assets, net	-	81,978	81,978
Total assets	26,168,817	328,942	26,497,759
LIABILITIES			
Claims payable	142,058	16,230	158,288
Intergovernmental payables	130,971	-	130,971
Accrued interest payable	160,456	-	160,456
Deferred revenue	5,151,867	146,316	5,298,183
Amounts held in custody for others	19,234	-	19,234
Other payables	420,000	-	420,000
Long-term liabilities			
Due within one year:			
Capital debt	676,937	36,005	712,942
Non-capital debt	96,000	-	96,000
Due in more than one year:			
Capital debt	6,294,900	-	6,294,900
Non-capital debt	1,075,100	-	1,075,100
Total liabilities	14,167,523	198,551	14,366,074
NET ASSETS			
Invested in capital assets, net of related debt	6,356,001	45,973	6,401,974
Restricted:			
Expendable:			
General government	43,555	-	43,555
Debt service	884,005	-	884,005
Public safety	367,879	-	367,879
Public works	1,437,584	84,418	1,522,002
Economic development	11,528	-	11,528
Capital projects	3,341,853	-	3,341,853
Unrestricted	(441,111)	-	(441,111)
Total net assets	\$ 12,001,294	\$ 130,391	\$ 12,131,685

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

Greene County, Mississippi
Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,734,121	\$ 443,687	\$ 183,772	\$ -	\$ (2,106,662)	\$ -	\$ (2,106,662)
Public safety	1,327,277	108,975	119,669	-	(1,098,633)	-	(1,098,633)
Public works	2,357,285	-	1,209,259	-	(1,148,026)	-	(1,148,026)
Health and welfare	715,737	-	12,220	-	(703,517)	-	(703,517)
Culture and recreation	123,630	-	-	-	(123,630)	-	(123,630)
Conservation of natural resources	389,277	-	-	-	(389,277)	-	(389,277)
Economic development and assistance	120,105	-	-	-	(120,105)	-	(120,105)
Interest on long-term debt	348,201	-	-	-	(348,201)	-	(348,201)
Total governmental activities	8,115,633	552,662	1,524,920	-	(6,038,051)	-	(6,038,051)
Business-type activities:							
Solid waste	710,112	468,105	-	-	-	(242,007)	(242,007)
Total business-type activities	710,112	468,105	-	-	-	(242,007)	(242,007)
Total primary government	\$ 8,825,745	\$ 1,020,767	\$ 1,524,920	\$ -	(6,038,051)	(242,007)	(6,280,058)
General revenues:							
Property taxes					5,015,164	151,339	5,166,503
Road & Bridge privilege taxes					132,129	-	132,129
Grants and contributions not restricted to specific programs					6,417	-	6,417
Unrestricted interest income					68,203	-	68,203
Unrestricted rental income					488,330	-	488,330
Refunds					162,247	9,496	171,743
Miscellaneous					87,698	2,863	90,561
Loss on sale of capital assets					678,270	-	678,270
Transfers					(47,822)	47,822	-
Total general revenues and transfers					6,590,636	211,520	6,802,156
Change in net assets					552,585	(30,487)	522,098
Net assets - beginning, as originally reported					11,419,809	160,878	11,580,687
Prior period adjustments					28,900	-	28,900
Net assets - beginning, as restated					11,448,709	160,878	11,609,587
Net assets - ending					\$ 12,001,294	\$ 130,391	\$ 12,131,685

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

Greene County, Mississippi
Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	District One Road Fund	District Three Road Fund	Bonds for Construction of Hospital 2011 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 959,923	\$ 223,870	\$ 296,382	\$ 3,358,533	\$ 1,612,288	\$ 6,450,996
Property tax receivable	2,371,050	328,811	328,811	73,158	2,050,037	5,151,867
Fines receivable (net of allowance for for uncollectibles of \$302,972)	316,594	-	-	-	-	316,594
Intergovernmental receivables	79,178	-	-	-	-	79,178
Other receivables	5,240	-	-	-	-	5,240
Due from other funds	260,603	18,288	18,291	-	62,854	360,036
Advances to other funds	2,100	8,000	-	-	60,000	70,100
Restricted assets	-	-	-	648,869	-	648,869
Total assets	\$ 3,994,688	\$ 578,969	\$ 643,484	\$ 4,080,560	\$ 3,785,179	\$ 13,082,880
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 22,090	\$ 12,051	\$ 8,781	\$ 16,680	\$ 82,456	\$ 142,058
Intergovernmental payables	72,348	-	-	-	-	72,348
Due to other funds	134,536	11,483	28,846	-	230,906	405,771
Advances from other funds	68,000	-	-	-	-	68,000
Deferred revenue	2,687,644	328,811	328,811	73,158	2,050,037	5,468,461
Amounts held in custody for others	19,234	-	-	-	-	19,234
Other payables	420,000	-	-	-	-	420,000
Total liabilities	\$ 3,423,852	\$ 352,345	\$ 366,438	\$ 89,838	\$ 2,363,399	\$ 6,595,872
Fund balances:						
Nonspendable:						
Advances	2,100	8,000	-	-	60,000	70,100
Restricted for:						
Health and welfare	-	-	-	3,341,853	-	3,341,853
Debt service	-	-	-	648,869	395,592	1,044,461
Assigned to:						
General government	-	-	-	-	43,555	43,555
Public safety	-	-	-	-	51,285	51,285
Public works	-	218,624	277,046	-	941,914	1,437,584
Economic development and assistance	-	-	-	-	11,528	11,528
Unassigned	568,736	-	-	-	(82,094)	486,642
Total fund balances	\$ 570,836	\$ 226,624	\$ 277,046	\$ 3,990,722	\$ 1,421,780	\$ 6,487,008
Total liabilities and fund balances	\$ 3,994,688	\$ 578,969	\$ 643,484	\$ 4,080,560	\$ 3,785,179	\$ 13,082,880

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

Greene County, Mississippi
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2012

Total fund balance - Governmental Funds (Exhibit 3)	\$ 6,487,008
Amounts reported for governmental activities 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 \$0.	13,327,838
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	316,594
Long-term liabilities are not due and payable in the current-period and, therefore are not reported in the funds.	(8,142,937)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(160,456)
Deferred charges - bond issuance costs	173,240
Rounding	<u>7</u>
Total net assets - Governmental Activities (Exhibit 1)	<u><u>\$ 12,001,294</u></u>

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

Greene County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	General Fund	District One Road Fund	District Three Road Fund	Bonds for Construction of Hospital 2011 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 2,303,246	\$ 323,554	\$ 323,552	\$ -	\$ 2,064,812	\$ 5,015,164
Road and bridge privilege taxes	-	26,426	26,426	-	79,277	132,129
Licenses, commissions and other revenue	135,672	444	444	-	8,224	144,784
Fines and forfeitures	249,736	-	-	-	-	249,736
Intergovernmental revenues	251,477	207,639	207,639	-	846,579	1,513,334
Charges for services	8,891	-	-	-	108,975	117,866
Interest income	68,203	-	-	-	-	68,203
Miscellaneous revenues	632,520	27,661	7,487	-	70,609	738,277
Total revenues	<u>3,649,745</u>	<u>585,724</u>	<u>565,548</u>	<u>-</u>	<u>3,178,476</u>	<u>7,979,493</u>
EXPENDITURES						
Current:						
General government	2,617,389	-	-	-	115,882	2,733,271
Public Safety	669,454	-	-	-	657,823	1,327,277
Public Works	-	799,857	1,028,237	-	2,086,955	3,915,049
Health and welfare	541,341	-	-	158,146	-	699,487
Culture and recreation	75,098	-	-	-	48,532	123,630
Conservation of natural resources	389,277	-	-	-	-	389,277
Economic development and assistance	3,600	-	-	-	116,505	120,105
Debt Service:						
Principal	52,470	281,320	232,082	-	583,065	1,148,937
Interest	2,720	13,005	8,359	76,166	87,495	187,745
Fiscal agent fees	-	-	-	-	850	850
Bond Issue Costs	-	-	-	137,511	-	137,511
Total Expenditures	<u>4,351,349</u>	<u>1,094,182</u>	<u>1,268,678</u>	<u>371,823</u>	<u>3,697,107</u>	<u>10,783,139</u>
Excess of revenues over (under) expenditures	<u>(701,604)</u>	<u>(508,458)</u>	<u>(703,130)</u>	<u>(371,823)</u>	<u>(518,631)</u>	<u>(2,803,646)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	-	437,514	578,854	4,550,000	545,859	6,112,227
Long-term non-capital debt issued	-	-	-	-	150,000	150,000
Proceeds from sale of capital assets	17,877	255,998	274,232	-	344,076	892,183
Transfers in	36,603	-	-	-	136,271	172,874
Transfers out	(182,248)	(6,023)	-	-	(32,425)	(220,696)
Discount on bonds issued	-	-	-	(187,455)	-	(187,455)
Total other financing sources and uses	<u>(127,768)</u>	<u>687,489</u>	<u>853,086</u>	<u>4,362,545</u>	<u>1,143,781</u>	<u>6,919,133</u>
Net change in fund balances	<u>(829,372)</u>	<u>179,031</u>	<u>149,956</u>	<u>3,990,722</u>	<u>625,150</u>	<u>4,115,487</u>
Fund balances - beginning, as originally reported	1,400,208	47,593	127,090	-	767,730	2,342,621
Prior period adjustment	-	-	-	-	28,900	28,900
Fund balances - beginning, as restated	<u>1,400,208</u>	<u>47,593</u>	<u>127,090</u>	<u>-</u>	<u>796,630</u>	<u>2,371,521</u>
Fund balances - ending	<u>570,836</u>	<u>226,624</u>	<u>277,046</u>	<u>3,990,722</u>	<u>1,421,780</u>	<u>6,487,008</u>

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

Greene County, Mississippi
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, 2012

Net change in fund balances - Total Governmental Funds (Exhibit 4)	\$	4,115,487
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 of net capital outlays of \$1,562,227 that exceeded depreciation of \$0 in the current period.</p>		1,562,227
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$678,270 and the proceeds from the sale of \$892,183 in the current period.</p>		(213,913)
<p>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 Statement of Activities using the full-accrual basis of accounting.</p>		58,279
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,148,937 exceeded debt proceeds of \$6,262,227.</p>		(5,113,290)
<p>Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:</p>		
Deferred charges related to the issuance of long-term debt.		137,511
Discount on bonds related to the issuance of long-term debt.		187,455
Amortization of deferred charges		(11,339)
Amortization of discount on bonds issued		(9,373)
The increase in accrued interest payable.		(160,456)
Rounding		(3)
Change in Net Assets of Governmental Activities (Exhibit 2)	\$	552,585

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

Greene County, Mississippi
Statement of Net Assets
Proprietary Fund
September 30, 2012

	Business-type Activities - Enterprise Fund <u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 12,313
Property tax receivable	146,316
Accounts receivable (net of allowance for uncollectibles of \$94,366)	99,809
Due from other funds	<u>2,074</u>
Total current assets	<u>260,512</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	<u>81,978</u>
Total noncurrent assets	<u>81,978</u>
Total assets	<u>342,490</u>
LIABILITIES	
Current liabilities:	
Claims payable	16,230
Due to other funds	13,548
Deferred revenue	146,316
Capital debt:	
Capital leases payable	<u>36,005</u>
Total current liabilities	<u>212,099</u>
NET ASSETS	
Invested in capital assets, net of related debt	45,973
Restricted:	
Public works	<u>84,418</u>
Total net assets	<u>\$ 130,391</u>

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

Greene County, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating revenues	
Charges for services	\$ 468,105
Miscellaneous	12,359
Total operating revenues	480,464
Operating expenses	
Personal services	314,118
Contractual services	170,036
Materials and supplies	179,678
Depreciation expense	40,158
Indirect administrative cost	4,178
Total operating expenses	708,168
Operating income (loss)	(227,704)
Nonoperating revenues (expenses)	
Property taxes	151,339
Interest income	-
Interest expense	(6,122)
Net nonoperating revenue (expenses)	145,217
Net Income (Loss) Before Transfers	(82,487)
Transfers In	52,000
Changes in net assets	(30,487)
Total net assets - beginning	160,878
Total net assets - ending	\$ 130,391

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

Greene County, Mississippi
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2012

	Business-type Activities Enterprise Fund Solid Waste Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 501,648
Payments to suppliers	(337,894)
Payments to employees	(314,118)
Payments for insurance premiums	-
Other operating cash receipts	12,359
Net cash provided by operating activities	(138,005)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from property taxes	151,460
Cash received from other funds:	
Operating transfers in	52,000
Net cash provided (used) by noncapital financing activities	203,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(47,020)
Interest paid on debt	(6,122)
Net cash provided (used) by capital and related financing activities	(53,142)
Net increase (decrease) in cash and cash equivalents	12,313
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	\$ 12,313
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (227,704)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	40,158
Provision for uncollectible accounts	25,078
(Increase) decrease in accounts receivable	8,466
Increase (decrease) in claims payable	7,820
Increase (decrease) in interfund payables	8,177
Total adjustments	89,699
Net cash provided (used) by operating activities	\$ (138,005)

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

Greene County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2012

	Agency Funds
ASSETS	
Cash	\$ -
Due from other funds	58,632
Other receivables	3,523
Total assets	\$ 62,155
 LIABILITIES	
Due to payroll clearing depository	\$ 23,980
Amounts held in custody for others	2,890
Other liabilities	1,016
Intergovernmental payables	30,746
Due to other funds	1,423
Advances from other funds	2,100
Total liabilities	\$ 62,155

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

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Greene County, Mississippi 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 Greene County, Mississippi to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Greene County Rural Health Center

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, fund financial statements and accompanying note disclosures 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 and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise 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, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

District One Road Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance of District One.

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

Bonds for Construction of Hospital 2011 Fund – This fund is used to account for bond proceeds and subsequent expenditures in relation to the construction of hospital facilities.

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

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 2005 by the Government Finance Officers Association.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Restricted Assets.

Governmental Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the county's governmental fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "capitalized interest" account is funded by bank bond proceeds and is used to pay the related interest due on revenue bonds prior to the completion of construction of the project. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

I. 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 applicable governmental or business-type activities column in the government-wide financial statements. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting the county's infrastructure or records documenting depreciation on applicable assets. 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.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Greene County, Mississippi meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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 and Proprietary Funds. 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 and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. 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 and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

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

K. 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 improvement 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:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Comptroller pursuant to authorization established by the Board of Supervisors.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. 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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. 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.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(2) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
To eliminate deferred revenue in warnings and sirens grant fund that was incorrectly deferred in p/y.	\$ 28,900
Total prior period adjustment	\$ 28,900

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

Explanation	Amount
To eliminate deferred revenue in warnings and sirens grant fund that was incorrectly deferred in p/y.	\$ 28,900
Total prior period adjustment	\$ 28,900

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2012, was \$6,463,309, and the bank balance was \$7,310,245. 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 Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	District One Road Fund	\$ 6,156
General Fund	District Three Road Fund	23,519
General Fund	Other Governmental Funds	215,957
General Fund	Solid Waste	13,548
General Fund	Agency Funds	1,423
District One Road Fund	General Fund	10,815
District One Road Fund	Other Governmental Funds	7,473
District Three Road Fund	General Fund	10,815
District Three Road Fund	Other Governmental Funds	7,476
Other Governmental Funds	General Fund	52,200
Other Governmental Funds	District One Road Fund	5,327
Other Governmental Funds	District Three Road Fund	5,327
Solid Waste	General Fund	2,074
Agency Funds	General Fund	58,632
Total		<u>\$ 420,742</u>

The interfund receivable balance consists of the following items:

- Tax revenue collected but not settled until October, 2012.
- Operating loans made from the general fund to other governmental funds.
- Indirect administrative cost charged to solid waste by the general fund.
- An operating loan made by the general fund to the solid waste fund.
- Interfund expenses and revenues charged to the incorrect fund.
- Loan made by the general fund to payroll clearing to ensure the availability of funds.
- The receivables represent an error in posting debt service expenses during the year.
- A receivable created due to a transfer made from the Payroll Clearing Fund to the General Fund.

All interfund balances are expected to be repaid within one year of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 2,100
District One Road Fund	General Fund	8,000
Other Governmental Funds	General Fund	60,000
Total		<u>\$ 70,100</u>

The general fund receivable of \$2,100 represents payroll for a former chancery clerk's employees. The other governmental funds receivable represents an \$8,000 receivable due the district one road fund from fiscal year 2001, as well as, a \$60,000 transfer made to the general fund in fiscal year 2004.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Interfund Transactions and Balances – Continued.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 32,425
General Fund	Solid Waste	4,178
Other Governmental Funds	District One Road Fund	6,023
Other Governmental Funds	General Fund	130,248
Solid Waste	General Fund	52,000
Total		\$ 224,874

The principal purpose of the transfers was to reimburse certain funds for posting errors made during current year, normal operating transfers and to reimburse the general fund for indirect administrative costs of solid waste. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 59,199
MEMA Grant	19,979
Total governmental activities	\$ 79,178

(6) Restricted Assets.

The balances of the restricted asset accounts in governmental funds are as follows:

Capitalized Interest	\$ 376,488
Debt service reserve	272,381
Total restricted assets	\$ 648,869

(7) Deferred Charges

Deferred Charges represent bond issuance costs in the amount of \$190,515, net accumulated amortization of \$17,275.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 266,998	\$ -	\$ -	\$ -	\$ 266,998
Total non-depreciable capital assets	266,998	-	-	-	266,998
<u>Depreciable capital assets:</u>					
Buildings	3,132,664	-	-	-	3,132,664
Improvements other than buildings	388,349	-	-	-	388,349
Mobile equipment	5,479,262	-	-	1,197,315	6,676,577
Furniture and equipment	635,117	-	-	-	635,117
Leased property under capital leases	2,077,134	1,562,227	213,913	(1,197,315)	2,228,133
Total depreciable capital assets	11,712,526	1,562,227	213,913	-	13,060,840
<u>Less accumulated depreciation for:</u>					
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Mobile equipment	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Leased property under capital leases	-	-	-	-	-
Total accumulated depreciation	-	-	-	-	-
Total depreciable capital assets, net	11,712,526	1,562,227	213,913	-	13,060,840
Governmental activities capital assets, net	\$ 11,979,524	\$ 1,562,227	\$ 213,913	\$ -	\$ 13,327,838

See Note I(I) for additional discussion regarding governmental activities capital assets.

Business-type activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 350,335	\$ -	\$ -	\$ 246,315	\$ 596,650
Leased property under capital leases	469,409	-	-	(246,315)	223,094
Total depreciable capital assets	819,744	-	-	-	819,744
<u>Less accumulated depreciation for:</u>					
Mobile equipment	315,300	-	-	221,684	536,984
Leased property under capital leases	382,308	40,158	-	(221,684)	200,782
Total accumulated depreciation	697,608	40,158	-	-	737,766
Total depreciable capital assets, net	122,136	(40,158)	-	-	81,978
Business-type activities capital assets, net	\$ 122,136	\$ (40,158)	\$ -	\$ -	\$ 81,978

Depreciation expense was charged to the following functions:

Solid waste	\$ 40,158
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GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(9) 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 \$1,000,000 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, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,228,133	\$ 223,094
Total	2,228,133	223,094
Less: Accumulated depreciation	-	200,782
Leased Property Under Capital Leases	<u>\$ 2,228,133</u>	<u>\$ 22,312</u>

The following is a schedule by years of the total payments due as of September 30, 2012:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 443,770	\$ 46,832	\$ 36,005	\$ 587
2014	335,216	35,030	-	-
2015	1,057,981	19,272	-	-
2016	13,675	244	-	-
Total	<u>\$ 1,850,642</u>	<u>\$ 101,378</u>	<u>\$ 36,005</u>	<u>\$ 587</u>

Capital leases in governmental activities will be retired from the General Fund and Road District Funds. Capital leases in business-type activities will be retired from the Solid Waste Fund.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(11) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
General Obligation Katrina Loan Refunding Bonds, Series 2010	\$ 1,171,100	4.35	3-22
General Obligation Bonds, Series 2010 (Justice Court Building)	\$ 303,000	3.75	1-20
General Obligation Bonds, Series 2011 (Greene County Hospital Project)	\$ 4,550,000	4.86	11-31
Total General Obligation Bonds	<u>\$ 6,024,100</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Computer system	18,422	3.45	09-13
Backhoe	51,951	3.39	04-14
Ford F-150 truck	3,111	3.45	05-13
Motor grader	158,908	3.34	04-13
Motor grader	37,646	3.39	05-15
Mack Dump Truck	37,358	3.25	07-14
Wheel loader	76,129	3.07	07-14
Ford F-150 truck	16,833	3.35	05-14
John Deere tractor	39,655	3.07	11-14
Motor grader	200,114	3	3-15
Excavator	169,773	1.78	9-15
John Deere tractor	42,821	3.07	11-14
Motor grader	191,208	3	4-15
Ford F-150 truck	29,295	3.04	4-16
Backhoe	83,833	3	7-15
Kubota tractor	28,821	3.04	8-16
Excavator	169,773	1.78	9-15
Ford F550 truck	28,983	3.04	4-16
Motor grader	191,197	3	4-15
(2) John Deere tractors	82,464	3.07	11-15
Motor grader	192,347	3	7-15
Total Capital Leases	<u>\$ 1,850,642</u>		

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(11) Long-term Debt - Continued.

C. Other Loans:

Fire truck loan	18,777	2.00	01-15
Loan - Singing River	277,500	0.00	07-19
Loan - Bridge repairs	150,000	2.75	3-13
Total Other Loans	<u>446,277</u>		

Business-type Activities:

A. Capital Leases:

Garbage truck	12,215	4.29	06-13
Garbage truck	23,790	3.65	06-13
Total Capital leases	<u>\$ 36,005</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
2013	129,000	226,558	200,167	330
2014	134,100	235,665	50,349	147
2015	330,500	229,902	41,594	8
2016	341,100	221,513	41,111	-
2017	351,800	211,846	41,111	-
2018-2122	1,847,600	878,596	71,945	-
2023-2027	1,280,000	590,500	-	-
2028-2032	1,610,000	262,238	-	-
Total	<u>6,024,100</u>	<u>2,856,818</u>	<u>446,277</u>	<u>485</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, 2012, the amount of outstanding debt was equal to 6.031% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
General Obligation Bonds	\$ 1,598,100	\$ 4,550,000	\$ 124,000	\$ -	\$ 6,024,100	\$ 129,000
Less:						
Discounts	-	(187,455)	9,373	-	(178,082)	-
Capital leases	1,044,128	1,562,227	755,713	-	1,850,642	443,770
Other loans	565,501	150,000	269,224	-	446,277	200,167
Total	<u>\$ 3,207,729</u>	<u>\$ 6,074,772</u>	<u>\$ 1,158,310</u>	<u>\$ -</u>	<u>\$ 8,142,937</u>	<u>\$ 772,937</u>
Business-type Activities:						
Capital leases	\$ 79,026	\$ -	\$ 47,020	\$ 3,999	\$ 36,005	\$ 36,005

The adjustments column represents a difference in payoff amount on a capital lease.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
DUI Grant Fund	\$ 14,350
Forestry Commission Grant Fund	735
Homeland Security Grant #2 Fund	22,280
Sheriff Grant Fund	228
Museum Archives & History Grant Fund	39,793
Bridge & Culvert District Four Fund	4,446
Total deficit fund balances	\$ 81,832

(13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. 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. See Note 18 for subsequent event related to settlement of lawsuit.

Debt Contingencies - The County guaranteed notes to provide funds for constructing a satellite campus for Jones County Junior College. Such debt is being retired from an ad valorem tax levied on the citizens of Greene County on behalf of Jones County Junior College and, therefore, is not reported as a liability of the County. However, because the notes are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

Description	Balance at Sept. 30, 2012
USDA Note	\$ 561,852
Singing River Note	204,000
Total	\$ 765,852

(14) Joint Ventures.

The county participates in the following joint ventures:

Greene County, Mississippi is a participant with the Counties of Covington, Perry and Stone in a joint venture, authorized by section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library System. The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth rotating annually among the counties. By contractual agreement the county's appropriation to the joint venture was \$65,000. Complete financial statements for the Pine Forest Regional Library can be obtained from P. O. Box 1208; Richton, MS 39476.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Greene County Board of Supervisors appoints one of nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The county contributed \$32,354 for support of the district in fiscal year 2012.

Southern Mississippi Planning and Development District operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Greene County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county contributed \$3,600 for support of the district in fiscal year 2012.

Pine Belt Mental Health Care Resources operates in a district composed of the counties of Covington, Forest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Greene County Board of Supervisors appoints one of the nine members of the board of commissioners. The county contributed \$21,000 for support of the entity in fiscal year 2012.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Greene County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$185,054 for maintenance and support of the college in fiscal year 2012.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the board of supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Hancock and Harrison. The agency's board is composed of 24 members, one each appointed by the Counties of George, Greene, Hancock and Harrison, and the Cities of Bay St. Louis, Biloxi, Gulfport and Pass Christian, with the remaining 16 appointed by the private sector. Most of the entity's funding comes through federal grants and the member governments provide only a modest amount of financial support when the grants require matching funds.

(16) Defined Benefit Pension Plan.

Plan Description. Greene 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. At September 30, 2012, PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% 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, 2012, 2011 and 2010 are \$299,688, \$273,822 and \$254,175, respectively, equal to the required contributions for each year.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(17) Related Party Transactions.

Greene County, Mississippi purchased \$5,533.75 of fuel and repairs parts from Dearman Oil Company, a company owned by the brother of one of the supervisors.

(18) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Greene County, Mississippi evaluated the activity of the county through October 14, 2013, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

On November 5, 2012, the County settled a lawsuit with five different plaintiffs in relation to the Greene County Rural Health Center. The settlement amount of \$420,000 has been accrued and included in the financial statements as other payables. This settlement now concludes this particular lawsuit and releases the County from any further liability.

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OTHER INFORMATION

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Greene County, Mississippi
Schedule of Surety Bonds for County Officials
Unaudited
For the Year Ended September 30, 2012

Name	Position	Company	Bond
Gary L. Dearman	Supervisor District 1	Western Surety	\$ 100,000
William Morris Hill	Supervisor District 2	Ohio Casualty	\$ 100,000
Vince West	Supervisor District 3	Western Surety	\$ 100,000
Wayne Barrow	Supervisor District 4	Ohio Casualty	\$ 100,000
Harold Cook	Supervisor District 5	Ohio Casualty	\$ 100,000
Shelly Eubanks	Chancery Clerk	Ohio Casualty	\$ 100,000
Patti Zehner	Inventory Clerk	Ohio Casualty	\$ 75,000
Cecilia Bounds	Circuit Clerk	Ohio Casualty	\$ 80,000
Mark Holder	Tax Collector/Assessor	Ohio Casualty	\$ 100,000
Pearl Lavon Pringle	Purchase Clerk	Ohio Casualty	\$ 75,000
Gilbert Hudson	Receiving Clerk	Western Surety	\$ 75,000
Angela Pearce	Receiving Clerk - Waste Mgt.	Western Surety	\$ 50,000
Haagar Simpson	Receiving Clerk - Waste Mgt.	Western Surety	\$ 50,000
Harvey E. Grimes	Road Manager - District 1	Ohio Casualty	\$ 75,000
Dorothy M. Woods	Road Manager - District 2	Western Surety	\$ 75,000
Anthony Pulliam	Road Manager - District 3	Ohio Casualty	\$ 75,000
Pascal Walters	Road Manager - District 4	Ohio Casualty	\$ 75,000
Rowland Neil	Road Manager - District 5	Ohio Casualty	\$ 75,000
Stanley McLeod	Sheriff	Ohio Casualty	\$ 100,000
Ryan Walley	Constable	Ohio Casualty	\$ 50,000
Josh Miller	Constable	Ohio Casualty	\$ 50,000
Rita Walley	Justice Court Clerk	Ohio Casualty	\$ 50,000
Brenda S. Moreno	Deputy Justice Court Clerk	Ohio Casualty	\$ 50,000
L. Joe Beard	Justice Court Judge	Ohio Casualty	\$ 10,000
Wade Jeffrey Byrd	Justice Court Judge	Ohio Casualty	\$ 10,000

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SPECIAL REPORTS

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

Members of the Board of Supervisors
Greene County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 14, 2013. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. 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

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Greene County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2012-1, 2012-2 and 2012-3 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2012-4, 2012-5, 2012-6 and 2012-7 to be significant

deficiencies.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Greene County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 14, 2013, included within this document.

Greene County, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Greene County, Mississippi's responses and, accordingly, we express no opinion on them.

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



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

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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
Greene County, Mississippi

We have examined Greene County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Greene County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Greene County, Mississippi, has established centralized purchasing for all funds of the county, but has not 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Board of Supervisors

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the inventory control clerk to maintain an inventory system of capital assets. As reported in prior years, control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of governmental activities capital assets. Records are also not properly maintained documenting the depreciation on these capital assets. Without adequate control procedures in place over inventory of governmental activities capital assets, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The Board of Supervisors should establish adequate control procedures to document the existence, completeness and valuation of capital assets. Also, records should be maintained documenting depreciation on capital assets.

Board of Supervisors' Response

Our inventory control clerk has been working to complete the records for our capital assets.

Purchase Clerk

2. Finding

Sections 31-7-101 to 31-7-127, Miss. Code Ann. (1972), require the county to develop a system of central purchasing that fulfills the requirements for central purchasing established by the Office of State Auditor. As stated in prior years, supporting documentation such as purchase orders, receiving reports and invoices are not always present. I observed nine instances where paid invoice packets or other supporting documentation could not be located by the county. Without adequate control procedures in place over central purchasing, the risk increases that inaccurate information may be reported and loss or misappropriation of public funds could occur.

Recommendation

The Board of Supervisors should develop a system that fulfills the requirements for central purchasing.

Purchase Clerks' Response

I will review all paid invoice packets in the future to ensure that purchase requisitions, purchase orders, invoices, and receiving reports are attached and accounted for.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to above Greene County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

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 has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Greene County, Mississippi's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Greene 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.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

Greene County, Mississippi
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
-------------	-----------------------	---------------------	---------------	-------------------	---

My test results did not identify any purchases not made from the lowest bidder.

Schedule 2

**Greene County, Mississippi
Schedule of Emergency Purchases
September 30, 2012**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
3/5/2012	Emergency Road Repairs	\$ 16,850.00	T.L. Wallace	Priority for travel
3/26/2012	Emergency Road Repairs	\$ 77,840.00	Parnell Construction	Priority for travel
3/28/2012	Emergency Road Repairs	\$ 19,720.00	Ryals Construction	Priority for travel
4/18/2012	Emergency Road Repairs	\$ 18,180.00	Parnell Construction	Priority for travel
9/4/2012	Emergency Road Repairs	\$ 15,800.00	Ryals Construction	Priority for travel
7/1/2012	Emergency Road Repairs	\$ 77,161.50	Ryals Construction	Priority for travel
7/17/2012	Emergency Road Repairs	\$ 9,231.25	T.L. Wallace	Priority for travel
7/18/2012	Emergency Road Repairs	\$ 14,889.00	W. R. Brewer Construction	Priority for travel

Greene County, Mississippi
Schedule of Purchases Made Noncompetitively From a Sole Source
September 30, 2012

Date	Item Purchased	Amount Paid	Vendor
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My test results did not identify any purchases made noncompetitively from a sole source.

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Greene County, Mississippi

In planning and performing our audit of the financial statements of Greene County, Mississippi for the year ended September 30, 2012, we considered Greene County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Greene County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 14, 2013, on the financial statements of Greene County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors

1. Finding

Section 27-39-329, Miss. Code Ann. (1972), does not allow the Board of Supervisors to spend the avails of the one mill special levy until the Mississippi State Tax Commission approval is obtained. As stated in prior years, I observed that the Board of Supervisors spent the avails of the one mill levy prior to the approval by the Mississippi State Tax Commission.

Recommendation

The avails of the one mill special levy should not be spent by the Board of Supervisors until approval has been obtained from the Mississippi State Tax Commission.

Board of Supervisors' Response

In the future, we will not spend the avails of the one mill special tax levy until proper approval from the Mississippi State Tax Commission.

2. Finding

Section 27-39-317, Miss. Code Ann. (1972) states that in making the levy of taxes, the Board of Supervisors shall specify, in its order the levy for each specific purpose. As stated in prior years, the Board of Supervisors did not prepare and approve a board order that listed all individual levies with the specific statutory references for the individual levies.

Recommendation

The Board of Supervisors should comply with Section 27-39-317, Miss. Code Ann. (1972) that requires the board order approving the tax levy to include the individual levies and the specific statutory authority for the said levy.

Board of Supervisors' Response

In the future, a board order will be approved that includes the individual levies and the specific authority for said levies.

3. Finding

Sections 9-11-7 & 65-17-1, Miss. Code Ann. (1972) require the county to bond justice court judges and county road managers. As a result of our procedures we observed one instance where a road manager and two instances where the justice court judges were not properly bonded for the entire year in accordance with state statute.

Recommendation

The county should ensure that county officials are adequately bonded for the entire year and that a copy of their bond is file in the Chancery Clerk's office.

Board of Supervisors' Response

We will ensure that these issues are corrected.

4. Finding

Section 19-11-17, Miss. Code Ann. (1972) states that no expenditures shall be made, liabilities incurred or warrants issued in excess of the budget estimates as finally determined by the Board of Supervisors. This statute also states that any violation of the provisions of this section shall make the members of the Board of Supervisors voting for the same and the surety upon their official bonds, liable for the full amount of the claim allowed or contract entered into or public work provided for. As part of our procedures, we observed several funds where actual expenditures exceeded budgeted expenditures or where no budget was approved by a total of \$1,223,616.50. Failure to properly maintain the county's budgetary system could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should comply with Section 19-11-17, Miss. Code Ann. (1972) that states that no expenditures shall be made, liabilities incurred or warrants issued in excess of the budget estimates as finally determined by the Board of Supervisors

Board of Supervisors' Response

We will monitor the actual expenditures throughout the year and prepare appropriate budget amendments in order to eliminate this problem.

Greene County, Mississippi's responses to the findings included in this report were not audited, and accordingly, I express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

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SCHEDULE OF FINDINGS AND RESPONSES

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Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | Each major fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be a material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Significant Deficiency

Inadequate controls over debt and debt service activity.

2012-5. Finding

Internal control procedures covering debt and the related debt service are inadequate to ensure accuracy in the recording of debt and the related debt service activity. As a result of our audit procedures on long-term debt and capital leases, we observed the following:

- Debt service payments were charged to the General County Fund and Reappraisal and Mapping fund for a loan that was to be paid from the Computer Fund.
- Debt service payments were not posted to the proper general ledger accounts as determined by the Mississippi County Financial Accounting Manual.
- Proceeds for nine capital leases were not posted to the general ledger.

Without adequate controls in place over debt service payments, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish internal control procedures to ensure accuracy in recording debt and related debt service payments.

Board of Supervisors' Response

Internal control procedures will be established to ensure accuracy in recording debt and related debt service payments.

Significant Deficiency

Inadequate controls over recording revenues.

2012-6. Finding

Internal control procedures are inadequate to ensure the accurate recording of revenues in accordance with the Mississippi Financial Accounting Manual. As a result of our audit procedures, we made numerous reclassifying journal entries to post revenues to the correct general ledger account.

Without adequate controls in place over the recording of revenues, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

We recommend the comptroller closely follow the Mississippi Financial Accounting Manual in posting revenues to ensure revenues are accurately recorded.

Board of Supervisors' Response

Our newly hired Comptroller will be instructed to follow the Mississippi Financial Accounting Manual in posting revenues to the general ledger.



Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency - Material Weakness

An adequate inventory system over capital assets for governmental activities has not been established.

2012-1. Finding

As reported in prior years', internal control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of governmental activities capital assets. Records are also not properly maintained documenting depreciation for governmental activities capital assets. Without adequate controls in place over inventory of governmental activities capital assets, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish adequate internal control procedures to document the existence, completeness and valuation for capital assets. In addition, records should be maintained documenting depreciation on these capital assets.

Board of Supervisors' Response

Our Inventory Control Clerk has been working to complete the records for our capital assets.

Significant Deficiency - Material Weakness

Component Unit should be included in financials.

2012-2. Finding

As stated in the prior years', generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the county's legally separate component units.

Recommendation

The county should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

We determined it to be more cost effective to exclude the discretely presented component units from our financial statements.

Significant Deficiency - Material Weakness

Inadequate controls over reporting restricted cash accounts.

2012-3. Finding

Internal control procedures covering restricted cash accounts and proceeds from bonded debt are inadequate to ensure accuracy in the proper recording of these amounts in the general ledger and the monthly reconciliation of these cash balances to the bank statements. As a result of our audit procedures, we observed that the Debt Service Reserve and Capitalized Interest Funds with balances of \$272,381 and \$376,488, respectively, were not properly recorded in the general ledger or reconciled to the monthly bank statements. Without adequate controls in place over restricted cash accounts, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The county should record all restricted cash accounts bearing the county's name as well as reconcile those accounts to the monthly statements.

Board of Supervisors' Response

We will ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay.

Significant Deficiency

County signed warrants without sufficient money.

2012-4. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued in the Payroll Clearing Fund which did not have sufficient money to pay the warrants. As of September 30, 2012, the Payroll Clearing Fund had a negative cash balance of \$23,980. Failure to have sufficient cash balances in county funds prior to writing checks on these funds could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

All restricted cash accounts bearing the County's name will be recorded in the general ledger, and will be reconciled to the monthly statements.



Significant Deficiency

Inadequate controls over debt and debt service activity.

2012-5. Finding

Internal control procedures covering debt and the related debt service are inadequate to ensure accuracy in the recording of debt and the related debt service activity. As a result of our audit procedures on long-term debt and capital leases, we observed the following:

- Debt service payments were charged to the General County Fund and Reappraisal and Mapping fund for a loan that was to be paid from the Computer Fund.
- Debt service payments were not posted to the proper general ledger accounts as determined by the Mississippi County Financial Accounting Manual.
- Proceeds for nine capital leases were not posted to the general ledger.

Without adequate controls in place over debt service payments, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish internal control procedures to ensure accuracy in recording debt and related debt service payments.

Board of Supervisors' Response

Internal control procedures will be established to ensure accuracy in recording debt and related debt service payments.

Significant Deficiency

Inadequate controls over recording revenues.

2012-6. Finding

Internal control procedures are inadequate to ensure the accurate recording of revenues in accordance with the Mississippi Financial Accounting Manual. As a result of our audit procedures, we made numerous reclassifying journal entries to post revenues to the correct general ledger account.

Without adequate controls in place over the recording of revenues, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

We recommend the comptroller closely follow the Mississippi Financial Accounting Manual in posting revenues to ensure revenues are accurately recorded.

Board of Supervisors' Response

Our newly hired Comptroller will be instructed to follow the Mississippi Financial Accounting Manual in posting revenues to the general ledger.

Significant Deficiency

Inadequate controls over posting transactions to prior period.

2012-7. Finding

Internal control procedures are inadequate to ensure that transactions are not posted in a period after the period has been closed. As a result of our audit procedures, we found that transactions were posted to two individual funds totaling \$141,467 after the bank reconciliation had been prepared and approved and the month was closed out. Without adequate controls in place over the recording of transactions to prior periods, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish internal control procedures to ensure transactions are not posted to a prior period after it has been closed.

Board of Supervisors' Response

This matter will be discussed with our newly hired Comptroller, who will be instructed to establish internal control procedures that will ensure that transactions are not posted to a prior period after it has been closed.

GREENE COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012**

**Greene County, Mississippi
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Greene County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

As discussed in Note 1(I) to the financial statements, the county has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets and, accordingly, has not recorded the appropriate depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that adequate records must be maintained to document the existence, completeness and valuation of governmental activities capital assets including the county's infrastructure, and also that the depreciation on governmental activities capital assets, including infrastructure, be adequately documented. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Greene County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of Greene County, Mississippi, as of September 30, 2012, 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.

Finally, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Greene County, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 October 14, 2013, on our consideration of Greene 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.

Greene County, Mississippi, has omitted the Management's Discussion and Analysis and the Budgetary Comparison Schedule(s) and the corresponding notes, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greene County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

FINANCIAL STATEMENTS

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Greene County, Mississippi
Statement of Net Assets
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,450,996	\$ 12,313	\$ 6,463,309
Property tax receivable	5,151,867	146,316	5,298,183
Accounts receivable (net of allowance for uncollectibles of \$94,366)	-	99,809	99,809
Fines receivable (net of allowance for uncollectibles of \$302,972)	316,594	-	316,594
Intergovernmental receivables	79,178	-	79,178
Other receivables	8,761	-	8,761
Internal balances	11,474	(11,474)	-
Deferred charges - bond issuance costs	173,240	-	173,240
Restricted assets	648,869	-	648,869
Capital assets:			
Land	266,998	-	266,998
Other capital assets	13,060,840	-	13,060,840
Other capital assets, net	-	81,978	81,978
Total assets	26,168,817	328,942	26,497,759
LIABILITIES			
Claims payable	142,058	16,230	158,288
Intergovernmental payables	130,971	-	130,971
Accrued interest payable	160,456	-	160,456
Deferred revenue	5,151,867	146,316	5,298,183
Amounts held in custody for others	19,234	-	19,234
Other payables	420,000	-	420,000
Long-term liabilities			
Due within one year:			
Capital debt	676,937	36,005	712,942
Non-capital debt	96,000	-	96,000
Due in more than one year:			
Capital debt	6,294,900	-	6,294,900
Non-capital debt	1,075,100	-	1,075,100
Total liabilities	14,167,523	198,551	14,366,074
NET ASSETS			
Invested in capital assets, net of related debt	6,356,001	45,973	6,401,974
Restricted:			
Expendable:			
General government	43,555	-	43,555
Debt service	884,005	-	884,005
Public safety	367,879	-	367,879
Public works	1,437,584	84,418	1,522,002
Economic development	11,528	-	11,528
Capital projects	3,341,853	-	3,341,853
Unrestricted	(441,111)	-	(441,111)
Total net assets	\$ 12,001,294	\$ 130,391	\$ 12,131,685

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

Greene County, Mississippi
Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,734,121	\$ 443,687	\$ 183,772	\$ -	\$ (2,106,662)	\$ -	\$ (2,106,662)
Public safety	1,327,277	108,975	119,669	-	(1,098,633)	-	(1,098,633)
Public works	2,357,285	-	1,209,259	-	(1,148,026)	-	(1,148,026)
Health and welfare	715,737	-	12,220	-	(703,517)	-	(703,517)
Culture and recreation	123,630	-	-	-	(123,630)	-	(123,630)
Conservation of natural resources	389,277	-	-	-	(389,277)	-	(389,277)
Economic development and assistance	120,105	-	-	-	(120,105)	-	(120,105)
Interest on long-term debt	348,201	-	-	-	(348,201)	-	(348,201)
Total governmental activities	8,115,633	552,662	1,524,920	-	(6,038,051)	-	(6,038,051)
Business-type activities:							
Solid waste	710,112	468,105	-	-	-	(242,007)	(242,007)
Total business-type activities	710,112	468,105	-	-	-	(242,007)	(242,007)
Total primary government	\$ 8,825,745	\$ 1,020,767	\$ 1,524,920	\$ -	(6,038,051)	(242,007)	(6,280,058)
General revenues:							
Property taxes					5,015,164	151,339	5,166,503
Road & Bridge privilege taxes					132,129	-	132,129
Grants and contributions not restricted to specific programs					6,417	-	6,417
Unrestricted interest income					68,203	-	68,203
Unrestricted rental income					488,330	-	488,330
Refunds					162,247	9,496	171,743
Miscellaneous					87,698	2,863	90,561
Loss on sale of capital assets					678,270	-	678,270
Transfers					(47,822)	47,822	-
Total general revenues and transfers					6,590,636	211,520	6,802,156
Change in net assets					552,585	(30,487)	522,098
Net assets - beginning, as originally reported					11,419,809	160,878	11,580,687
Prior period adjustments					28,900	-	28,900
Net assets - beginning, as restated					11,448,709	160,878	11,609,587
Net assets - ending					\$ 12,001,294	\$ 130,391	\$ 12,131,685

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

Greene County, Mississippi
Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	District One Road Fund	District Three Road Fund	Bonds for Construction of Hospital 2011 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 959,923	\$ 223,870	\$ 296,382	\$ 3,358,533	\$ 1,612,288	\$ 6,450,996
Property tax receivable	2,371,050	328,811	328,811	73,158	2,050,037	5,151,867
Fines receivable (net of allowance for for uncollectibles of \$302,972)	316,594	-	-	-	-	316,594
Intergovernmental receivables	79,178	-	-	-	-	79,178
Other receivables	5,240	-	-	-	-	5,240
Due from other funds	260,603	18,288	18,291	-	62,854	360,036
Advances to other funds	2,100	8,000	-	-	60,000	70,100
Restricted assets	-	-	-	648,869	-	648,869
Total assets	\$ 3,994,688	\$ 578,969	\$ 643,484	\$ 4,080,560	\$ 3,785,179	\$ 13,082,880
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 22,090	\$ 12,051	\$ 8,781	\$ 16,680	\$ 82,456	\$ 142,058
Intergovernmental payables	72,348	-	-	-	-	72,348
Due to other funds	134,536	11,483	28,846	-	230,906	405,771
Advances from other funds	68,000	-	-	-	-	68,000
Deferred revenue	2,687,644	328,811	328,811	73,158	2,050,037	5,468,461
Amounts held in custody for others	19,234	-	-	-	-	19,234
Other payables	420,000	-	-	-	-	420,000
Total liabilities	\$ 3,423,852	\$ 352,345	\$ 366,438	\$ 89,838	\$ 2,363,399	\$ 6,595,872
Fund balances:						
Nonspendable:						
Advances	2,100	8,000	-	-	60,000	70,100
Restricted for:						
Health and welfare	-	-	-	3,341,853	-	3,341,853
Debt service	-	-	-	648,869	395,592	1,044,461
Assigned to:						
General government	-	-	-	-	43,555	43,555
Public safety	-	-	-	-	51,285	51,285
Public works	-	218,624	277,046	-	941,914	1,437,584
Economic development and assistance	-	-	-	-	11,528	11,528
Unassigned	568,736	-	-	-	(82,094)	486,642
Total fund balances	\$ 570,836	\$ 226,624	\$ 277,046	\$ 3,990,722	\$ 1,421,780	\$ 6,487,008
Total liabilities and fund balances	\$ 3,994,688	\$ 578,969	\$ 643,484	\$ 4,080,560	\$ 3,785,179	\$ 13,082,880

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

Greene County, Mississippi
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2012

Total fund balance - Governmental Funds (Exhibit 3)	\$ 6,487,008
Amounts reported for governmental activities 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 \$0.	13,327,838
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	316,594
Long-term liabilities are not due and payable in the current-period and, therefore are not reported in the funds.	(8,142,937)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(160,456)
Deferred charges - bond issuance costs	173,240
Rounding	<u>7</u>
Total net assets - Governmental Activities (Exhibit 1)	<u><u>\$ 12,001,294</u></u>

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

Greene County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	General Fund	District One Road Fund	District Three Road Fund	Bonds for Construction of Hospital 2011 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 2,303,246	\$ 323,554	\$ 323,552	\$ -	\$ 2,064,812	\$ 5,015,164
Road and bridge privilege taxes	-	26,426	26,426	-	79,277	132,129
Licenses, commissions and other revenue	135,672	444	444	-	8,224	144,784
Fines and forfeitures	249,736	-	-	-	-	249,736
Intergovernmental revenues	251,477	207,639	207,639	-	846,579	1,513,334
Charges for services	8,891	-	-	-	108,975	117,866
Interest income	68,203	-	-	-	-	68,203
Miscellaneous revenues	632,520	27,661	7,487	-	70,609	738,277
Total revenues	<u>3,649,745</u>	<u>585,724</u>	<u>565,548</u>	<u>-</u>	<u>3,178,476</u>	<u>7,979,493</u>
EXPENDITURES						
Current:						
General government	2,617,389	-	-	-	115,882	2,733,271
Public Safety	669,454	-	-	-	657,823	1,327,277
Public Works	-	799,857	1,028,237	-	2,086,955	3,915,049
Health and welfare	541,341	-	-	158,146	-	699,487
Culture and recreation	75,098	-	-	-	48,532	123,630
Conservation of natural resources	389,277	-	-	-	-	389,277
Economic development and assistance	3,600	-	-	-	116,505	120,105
Debt Service:						
Principal	52,470	281,320	232,082	-	583,065	1,148,937
Interest	2,720	13,005	8,359	76,166	87,495	187,745
Fiscal agent fees	-	-	-	-	850	850
Bond Issue Costs	-	-	-	137,511	-	137,511
Total Expenditures	<u>4,351,349</u>	<u>1,094,182</u>	<u>1,268,678</u>	<u>371,823</u>	<u>3,697,107</u>	<u>10,783,139</u>
Excess of revenues over (under) expenditures	<u>(701,604)</u>	<u>(508,458)</u>	<u>(703,130)</u>	<u>(371,823)</u>	<u>(518,631)</u>	<u>(2,803,646)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	-	437,514	578,854	4,550,000	545,859	6,112,227
Long-term non-capital debt issued	-	-	-	-	150,000	150,000
Proceeds from sale of capital assets	17,877	255,998	274,232	-	344,076	892,183
Transfers in	36,603	-	-	-	136,271	172,874
Transfers out	(182,248)	(6,023)	-	-	(32,425)	(220,696)
Discount on bonds issued	-	-	-	(187,455)	-	(187,455)
Total other financing sources and uses	<u>(127,768)</u>	<u>687,489</u>	<u>853,086</u>	<u>4,362,545</u>	<u>1,143,781</u>	<u>6,919,133</u>
Net change in fund balances	<u>(829,372)</u>	<u>179,031</u>	<u>149,956</u>	<u>3,990,722</u>	<u>625,150</u>	<u>4,115,487</u>
Fund balances - beginning, as originally reported	1,400,208	47,593	127,090	-	767,730	2,342,621
Prior period adjustment	-	-	-	-	28,900	28,900
Fund balances - beginning, as restated	1,400,208	47,593	127,090	-	796,630	2,371,521
Fund balances - ending	<u>570,836</u>	<u>226,624</u>	<u>277,046</u>	<u>3,990,722</u>	<u>1,421,780</u>	<u>6,487,008</u>

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

Greene County, Mississippi
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, 2012

Net change in fund balances - Total Governmental Funds (Exhibit 4) \$ 4,115,487

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 of net capital outlays of \$1,562,227 that exceeded depreciation of \$0 in the current period. 1,562,227

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$678,270 and the proceeds from the sale of \$892,183 in the current period. (213,913)

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 Statement of Activities using the full-accrual basis of accounting. 58,279

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,148,937 exceeded debt proceeds of \$6,262,227. (5,113,290)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

Deferred charges related to the issuance of long-term debt.	137,511
Discount on bonds related to the issuance of long-term debt.	187,455
Amortization of deferred charges	(11,339)
Amortization of discount on bonds issued	(9,373)
The increase in accrued interest payable.	(160,456)

Rounding	(3)
Change in Net Assets of Governmental Activities (Exhibit 2)	<u>\$ 552,585</u>

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

Greene County, Mississippi
Statement of Net Assets
Proprietary Fund
September 30, 2012

	Business-type Activities - Enterprise Fund Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 12,313
Property tax receivable	146,316
Accounts receivable (net of allowance for uncollectibles of \$94,366)	99,809
Due from other funds	2,074
Total current assets	260,512
Noncurrent assets:	
Capital assets:	
Other capital assets, net	81,978
Total noncurrent assets	81,978
Total assets	342,490
LIABILITIES	
Current liabilities:	
Claims payable	16,230
Due to other funds	13,548
Deferred revenue	146,316
Capital debt:	
Capital leases payable	36,005
Total current liabilities	212,099
NET ASSETS	
Invested in capital assets, net of related debt	45,973
Restricted:	
Public works	84,418
Total net assets	\$ 130,391

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

Greene County, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating revenues	
Charges for services	\$ 468,105
Miscellaneous	12,359
Total operating revenues	480,464
Operating expenses	
Personal services	314,118
Contractual services	170,036
Materials and supplies	179,678
Depreciation expense	40,158
Indirect administrative cost	4,178
Total operating expenses	708,168
Operating income (loss)	(227,704)
Nonoperating revenues (expenses)	
Property taxes	151,339
Interest income	-
Interest expense	(6,122)
Net nonoperating revenue (expenses)	145,217
Net Income (Loss) Before Transfers	(82,487)
Transfers In	52,000
Changes in net assets	(30,487)
Total net assets - beginning	160,878
Total net assets - ending	\$ 130,391

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

Greene County, Mississippi
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2012

	Business-type Activities Enterprise Fund Solid Waste Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 501,648
Payments to suppliers	(337,894)
Payments to employees	(314,118)
Payments for insurance premiums	-
Other operating cash receipts	12,359
Net cash provided by operating activities	<u>(138,005)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from property taxes	151,460
Cash received from other funds:	
Operating transfers in	<u>52,000</u>
Net cash provided (used) by noncapital financing activities	<u>203,460</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(47,020)
Interest paid on debt	<u>(6,122)</u>
Net cash provided (used) by capital and related financing activities	<u>(53,142)</u>
Net increase (decrease) in cash and cash equivalents	12,313
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	<u>\$ 12,313</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (227,704)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	40,158
Provision for uncollectible accounts	25,078
(Increase) decrease in accounts receivable	8,466
Increase (decrease) in claims payable	7,820
Increase (decrease) in interfund payables	8,177
Total adjustments	<u>89,699</u>
Net cash provided (used) by operating activities	<u>\$ (138,005)</u>

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

Greene County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2012

	Agency Funds
ASSETS	
Cash	\$ -
Due from other funds	58,632
Other receivables	3,523
Total assets	\$ 62,155
 LIABILITIES	
Due to payroll clearing depository	\$ 23,980
Amounts held in custody for others	2,890
Other liabilities	1,016
Intergovernmental payables	30,746
Due to other funds	1,423
Advances from other funds	2,100
Total liabilities	\$ 62,155

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

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Greene County, Mississippi 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 Greene County, Mississippi to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Greene County Rural Health Center

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, fund financial statements and accompanying note disclosures 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 and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise 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, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

District One Road Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance of District One.

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

Bonds for Construction of Hospital 2011 Fund – This fund is used to account for bond proceeds and subsequent expenditures in relation to the construction of hospital facilities.

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account for the county’s activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

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 2005 by the Government Finance Officers Association.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Restricted Assets.

Governmental Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the county's governmental fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "capitalized interest" account is funded by bank bond proceeds and is used to pay the related interest due on revenue bonds prior to the completion of construction of the project. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

I. 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 applicable governmental or business-type activities column in the government-wide financial statements. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting the county's infrastructure or records documenting depreciation on applicable assets. 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.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Greene County, Mississippi meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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 and Proprietary Funds. 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 and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. 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 and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

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

K. 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 improvement 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:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Comptroller pursuant to authorization established by the Board of Supervisors.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies – Continued.

In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. 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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. 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.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(2) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
To eliminate deferred revenue in warnings and sirens grant fund that was incorrectly deferred in p/y.	\$ 28,900
Total prior period adjustment	\$ 28,900

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

Explanation	Amount
To eliminate deferred revenue in warnings and sirens grant fund that was incorrectly deferred in p/y.	\$ 28,900
Total prior period adjustment	\$ 28,900

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2012, was \$6,463,309, and the bank balance was \$7,310,245. 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 Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	District One Road Fund	\$ 6,156
General Fund	District Three Road Fund	23,519
General Fund	Other Governmental Funds	215,957
General Fund	Solid Waste	13,548
General Fund	Agency Funds	1,423
District One Road Fund	General Fund	10,815
District One Road Fund	Other Governmental Funds	7,473
District Three Road Fund	General Fund	10,815
District Three Road Fund	Other Governmental Funds	7,476
Other Governmental Funds	General Fund	52,200
Other Governmental Funds	District One Road Fund	5,327
Other Governmental Funds	District Three Road Fund	5,327
Solid Waste	General Fund	2,074
Agency Funds	General Fund	58,632
Total		<u>\$ 420,742</u>

The interfund receivable balance consists of the following items:

- Tax revenue collected but not settled until October, 2012.
- Operating loans made from the general fund to other governmental funds.
- Indirect administrative cost charged to solid waste by the general fund.
- An operating loan made by the general fund to the solid waste fund.
- Interfund expenses and revenues charged to the incorrect fund.
- Loan made by the general fund to payroll clearing to ensure the availability of funds.
- The receivables represent an error in posting debt service expenses during the year.
- A receivable created due to a transfer made from the Payroll Clearing Fund to the General Fund.

All interfund balances are expected to be repaid within one year of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 2,100
District One Road Fund	General Fund	8,000
Other Governmental Funds	General Fund	60,000
Total		<u>\$ 70,100</u>

The general fund receivable of \$2,100 represents payroll for a former chancery clerk's employees. The other governmental funds receivable represents an \$8,000 receivable due the district one road fund from fiscal year 2001, as well as, a \$60,000 transfer made to the general fund in fiscal year 2004.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Interfund Transactions and Balances – Continued.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 32,425
General Fund	Solid Waste	4,178
Other Governmental Funds	District One Road Fund	6,023
Other Governmental Funds	General Fund	130,248
Solid Waste	General Fund	52,000
Total		\$ 224,874

The principal purpose of the transfers was to reimburse certain funds for posting errors made during current year, normal operating transfers and to reimburse the general fund for indirect administrative costs of solid waste. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 59,199
MEMA Grant	19,979
Total governmental activities	\$ 79,178

(6) Restricted Assets.

The balances of the restricted asset accounts in governmental funds are as follows:

Capitalized Interest	\$ 376,488
Debt service reserve	272,381
Total restricted assets	\$ 648,869

(7) Deferred Charges

Deferred Charges represent bond issuance costs in the amount of \$190,515, net accumulated amortization of \$17,275.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 266,998	\$ -	\$ -	\$ -	\$ 266,998
Total non-depreciable capital assets	266,998	-	-	-	266,998
<u>Depreciable capital assets:</u>					
Buildings	3,132,664	-	-	-	3,132,664
Improvements other than buildings	388,349	-	-	-	388,349
Mobile equipment	5,479,262	-	-	1,197,315	6,676,577
Furniture and equipment	635,117	-	-	-	635,117
Leased property under capital leases	2,077,134	1,562,227	213,913	(1,197,315)	2,228,133
Total depreciable capital assets	11,712,526	1,562,227	213,913	-	13,060,840
<u>Less accumulated depreciation for:</u>					
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Mobile equipment	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Leased property under capital leases	-	-	-	-	-
Total accumulated depreciation	-	-	-	-	-
Total depreciable capital assets, net	11,712,526	1,562,227	213,913	-	13,060,840
Governmental activities capital assets, net	\$ 11,979,524	\$ 1,562,227	\$ 213,913	\$ -	\$ 13,327,838

See Note I(I) for additional discussion regarding governmental activities capital assets.

Business-type activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 350,335	\$ -	\$ -	\$ 246,315	\$ 596,650
Leased property under capital leases	469,409	-	-	(246,315)	223,094
Total depreciable capital assets	819,744	-	-	-	819,744
<u>Less accumulated depreciation for:</u>					
Mobile equipment	315,300	-	-	221,684	536,984
Leased property under capital leases	382,308	40,158	-	(221,684)	200,782
Total accumulated depreciation	697,608	40,158	-	-	737,766
Total depreciable capital assets, net	122,136	(40,158)	-	-	81,978
Business-type activities capital assets, net	\$ 122,136	\$ (40,158)	\$ -	\$ -	\$ 81,978

Depreciation expense was charged to the following functions:

Solid waste	\$ 40,158
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GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(9) 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 \$1,000,000 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, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,228,133	\$ 223,094
Total	2,228,133	223,094
Less: Accumulated depreciation	-	200,782
Leased Property Under Capital Leases	<u>\$ 2,228,133</u>	<u>\$ 22,312</u>

The following is a schedule by years of the total payments due as of September 30, 2012:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 443,770	\$ 46,832	\$ 36,005	\$ 587
2014	335,216	35,030	-	-
2015	1,057,981	19,272	-	-
2016	13,675	244	-	-
Total	<u>\$ 1,850,642</u>	<u>\$ 101,378</u>	<u>\$ 36,005</u>	<u>\$ 587</u>

Capital leases in governmental activities will be retired from the General Fund and Road District Funds. Capital leases in business-type activities will be retired from the Solid Waste Fund.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(11) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
General Obligation Katrina Loan Refunding Bonds, Series 2010	\$ 1,171,100	4.35	3-22
General Obligation Bonds, Series 2010 (Justice Court Building)	\$ 303,000	3.75	1-20
General Obligation Bonds, Series 2011 (Greene County Hospital Project)	\$ 4,550,000	4.86	11-31
Total General Obligation Bonds	<u>\$ 6,024,100</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Computer system	18,422	3.45	09-13
Backhoe	51,951	3.39	04-14
Ford F-150 truck	3,111	3.45	05-13
Motor grader	158,908	3.34	04-13
Motor grader	37,646	3.39	05-15
Mack Dump Truck	37,358	3.25	07-14
Wheel loader	76,129	3.07	07-14
Ford F-150 truck	16,833	3.35	05-14
John Deere tractor	39,655	3.07	11-14
Motor grader	200,114	3	3-15
Excavator	169,773	1.78	9-15
John Deere tractor	42,821	3.07	11-14
Motor grader	191,208	3	4-15
Ford F-150 truck	29,295	3.04	4-16
Backhoe	83,833	3	7-15
Kubota tractor	28,821	3.04	8-16
Excavator	169,773	1.78	9-15
Ford F550 truck	28,983	3.04	4-16
Motor grader	191,197	3	4-15
(2) John Deere tractors	82,464	3.07	11-15
Motor grader	192,347	3	7-15
Total Capital Leases	<u>\$ 1,850,642</u>		

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(11) Long-term Debt - Continued.

C. Other Loans:

Fire truck loan	18,777	2.00	01-15
Loan - Singing River	277,500	0.00	07-19
Loan - Bridge repairs	150,000	2.75	3-13
Total Other Loans	<u>446,277</u>		

Business-type Activities:

A. Capital Leases:

Garbage truck	12,215	4.29	06-13
Garbage truck	23,790	3.65	06-13
Total Capital leases	<u>\$ 36,005</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
2013	129,000	226,558	200,167	330
2014	134,100	235,665	50,349	147
2015	330,500	229,902	41,594	8
2016	341,100	221,513	41,111	-
2017	351,800	211,846	41,111	-
2018-2122	1,847,600	878,596	71,945	-
2023-2027	1,280,000	590,500	-	-
2028-2032	1,610,000	262,238	-	-
Total	<u>6,024,100</u>	<u>2,856,818</u>	<u>446,277</u>	<u>485</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, 2012, the amount of outstanding debt was equal to 6.031% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
General Obligation Bonds	\$ 1,598,100	\$ 4,550,000	\$ 124,000	\$ -	\$ 6,024,100	\$ 129,000
Less:						
Discounts	-	(187,455)	9,373	-	(178,082)	-
Capital leases	1,044,128	1,562,227	755,713	-	1,850,642	443,770
Other loans	565,501	150,000	269,224	-	446,277	200,167
Total	<u>\$ 3,207,729</u>	<u>\$ 6,074,772</u>	<u>\$ 1,158,310</u>	<u>\$ -</u>	<u>\$ 8,142,937</u>	<u>\$ 772,937</u>
Business-type Activities:						
Capital leases	\$ 79,026	\$ -	\$ 47,020	\$ 3,999	\$ 36,005	\$ 36,005

The adjustments column represents a difference in payoff amount on a capital lease.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
DUI Grant Fund	\$ 14,350
Forestry Commission Grant Fund	735
Homeland Security Grant #2 Fund	22,280
Sheriff Grant Fund	228
Museum Archives & History Grant Fund	39,793
Bridge & Culvert District Four Fund	4,446
Total deficit fund balances	\$ 81,832

(13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. 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. See Note 18 for subsequent event related to settlement of lawsuit.

Debt Contingencies - The County guaranteed notes to provide funds for constructing a satellite campus for Jones County Junior College. Such debt is being retired from an ad valorem tax levied on the citizens of Greene County on behalf of Jones County Junior College and, therefore, is not reported as a liability of the County. However, because the notes are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

Description	Balance at Sept. 30, 2012
USDA Note	\$ 561,852
Singing River Note	204,000
Total	\$ 765,852

(14) Joint Ventures.

The county participates in the following joint ventures:

Greene County, Mississippi is a participant with the Counties of Covington, Perry and Stone in a joint venture, authorized by section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library System. The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth rotating annually among the counties. By contractual agreement the county's appropriation to the joint venture was \$65,000. Complete financial statements for the Pine Forest Regional Library can be obtained from P. O. Box 1208; Richton, MS 39476.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Greene County Board of Supervisors appoints one of nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The county contributed \$32,354 for support of the district in fiscal year 2012.

Southern Mississippi Planning and Development District operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Greene County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county contributed \$3,600 for support of the district in fiscal year 2012.

Pine Belt Mental Health Care Resources operates in a district composed of the counties of Covington, Forest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Greene County Board of Supervisors appoints one of the nine members of the board of commissioners. The county contributed \$21,000 for support of the entity in fiscal year 2012.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Greene County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$185,054 for maintenance and support of the college in fiscal year 2012.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the board of supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Hancock and Harrison. The agency's board is composed of 24 members, one each appointed by the Counties of George, Greene, Hancock and Harrison, and the Cities of Bay St. Louis, Biloxi, Gulfport and Pass Christian, with the remaining 16 appointed by the private sector. Most of the entity's funding comes through federal grants and the member governments provide only a modest amount of financial support when the grants require matching funds.

(16) Defined Benefit Pension Plan.

Plan Description. Greene 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. At September 30, 2012, PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% 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, 2012, 2011 and 2010 are \$299,688, \$273,822 and \$254,175, respectively, equal to the required contributions for each year.

GREENE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2012

(17) Related Party Transactions.

Greene County, Mississippi purchased \$5,533.75 of fuel and repairs parts from Dearman Oil Company, a company owned by the brother of one of the supervisors.

(18) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Greene County, Mississippi evaluated the activity of the county through October 14, 2013, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

On November 5, 2012, the County settled a lawsuit with five different plaintiffs in relation to the Greene County Rural Health Center. The settlement amount of \$420,000 has been accrued and included in the financial statements as other payables. This settlement now concludes this particular lawsuit and releases the County from any further liability.

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OTHER INFORMATION

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Greene County, Mississippi
Schedule of Surety Bonds for County Officials
Unaudited
For the Year Ended September 30, 2012

Name	Position	Company	Bond
Gary L. Dearman	Supervisor District 1	Western Surety	\$ 100,000
William Morris Hill	Supervisor District 2	Ohio Casualty	\$ 100,000
Vince West	Supervisor District 3	Western Surety	\$ 100,000
Wayne Barrow	Supervisor District 4	Ohio Casualty	\$ 100,000
Harold Cook	Supervisor District 5	Ohio Casualty	\$ 100,000
Shelly Eubanks	Chancery Clerk	Ohio Casualty	\$ 100,000
Patti Zehner	Inventory Clerk	Ohio Casualty	\$ 75,000
Cecilia Bounds	Circuit Clerk	Ohio Casualty	\$ 80,000
Mark Holder	Tax Collector/Assessor	Ohio Casualty	\$ 100,000
Pearl Lavon Pringle	Purchase Clerk	Ohio Casualty	\$ 75,000
Gilbert Hudson	Receiving Clerk	Western Surety	\$ 75,000
Angela Pearce	Receiving Clerk - Waste Mgt.	Western Surety	\$ 50,000
Haagar Simpson	Receiving Clerk - Waste Mgt.	Western Surety	\$ 50,000
Harvey E. Grimes	Road Manager - District 1	Ohio Casualty	\$ 75,000
Dorothy M. Woods	Road Manager - District 2	Western Surety	\$ 75,000
Anthony Pulliam	Road Manager - District 3	Ohio Casualty	\$ 75,000
Pascal Walters	Road Manager - District 4	Ohio Casualty	\$ 75,000
Rowland Neil	Road Manager - District 5	Ohio Casualty	\$ 75,000
Stanley McLeod	Sheriff	Ohio Casualty	\$ 100,000
Ryan Walley	Constable	Ohio Casualty	\$ 50,000
Josh Miller	Constable	Ohio Casualty	\$ 50,000
Rita Walley	Justice Court Clerk	Ohio Casualty	\$ 50,000
Brenda S. Moreno	Deputy Justice Court Clerk	Ohio Casualty	\$ 50,000
L. Joe Beard	Justice Court Judge	Ohio Casualty	\$ 10,000
Wade Jeffrey Byrd	Justice Court Judge	Ohio Casualty	\$ 10,000

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SPECIAL REPORTS

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

Members of the Board of Supervisors
Greene County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 14, 2013. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. 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

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Greene County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2012-1, 2012-2 and 2012-3 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2012-4, 2012-5, 2012-6 and 2012-7 to be significant

deficiencies.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Greene County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 14, 2013, included within this document.

Greene County, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Greene County, Mississippi's responses and, accordingly, we express no opinion on them.

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



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

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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
Greene County, Mississippi

We have examined Greene County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Greene County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Greene County, Mississippi, has established centralized purchasing for all funds of the county, but has not 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Board of Supervisors

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the inventory control clerk to maintain an inventory system of capital assets. As reported in prior years, control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of governmental activities capital assets. Records are also not properly maintained documenting the depreciation on these capital assets. Without adequate control procedures in place over inventory of governmental activities capital assets, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The Board of Supervisors should establish adequate control procedures to document the existence, completeness and valuation of capital assets. Also, records should be maintained documenting depreciation on capital assets.

Board of Supervisors' Response

Our inventory control clerk has been working to complete the records for our capital assets.

Purchase Clerk

2. Finding

Sections 31-7-101 to 31-7-127, Miss. Code Ann. (1972), require the county to develop a system of central purchasing that fulfills the requirements for central purchasing established by the Office of State Auditor. As stated in prior years, supporting documentation such as purchase orders, receiving reports and invoices are not always present. I observed nine instances where paid invoice packets or other supporting documentation could not be located by the county. Without adequate control procedures in place over central purchasing, the risk increases that inaccurate information may be reported and loss or misappropriation of public funds could occur.

Recommendation

The Board of Supervisors should develop a system that fulfills the requirements for central purchasing.

Purchase Clerks' Response

I will review all paid invoice packets in the future to ensure that purchase requisitions, purchase orders, invoices, and receiving reports are attached and accounted for.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to above Greene County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

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 has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Greene County, Mississippi's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Greene 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.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

Greene County, Mississippi
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
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My test results did not identify any purchases not made from the lowest bidder.

Schedule 2

Greene County, Mississippi
Schedule of Emergency Purchases
September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
3/5/2012	Emergency Road Repairs	\$ 16,850.00	T.L. Wallace	Priority for travel
3/26/2012	Emergency Road Repairs	\$ 77,840.00	Parnell Construction	Priority for travel
3/28/2012	Emergency Road Repairs	\$ 19,720.00	Ryals Construction	Priority for travel
4/18/2012	Emergency Road Repairs	\$ 18,180.00	Parnell Construction	Priority for travel
9/4/2012	Emergency Road Repairs	\$ 15,800.00	Ryals Construction	Priority for travel
7/1/2012	Emergency Road Repairs	\$ 77,161.50	Ryals Construction	Priority for travel
7/17/2012	Emergency Road Repairs	\$ 9,231.25	T.L. Wallace	Priority for travel
7/18/2012	Emergency Road Repairs	\$ 14,889.00	W. R. Brewer Construction	Priority for travel

Greene County, Mississippi
Schedule of Purchases Made Noncompetitively From a Sole Source
September 30, 2012

Date	Item Purchased	Amount Paid	Vendor
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My test results did not identify any purchases made noncompetitively from a sole source.

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Greene County, Mississippi

In planning and performing our audit of the financial statements of Greene County, Mississippi for the year ended September 30, 2012, we considered Greene County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Greene County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 14, 2013, on the financial statements of Greene County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors

1. Finding

Section 27-39-329, Miss. Code Ann. (1972), does not allow the Board of Supervisors to spend the avails of the one mill special levy until the Mississippi State Tax Commission approval is obtained. As stated in prior years, I observed that the Board of Supervisors spent the avails of the one mill levy prior to the approval by the Mississippi State Tax Commission.

Recommendation

The avails of the one mill special levy should not be spent by the Board of Supervisors until approval has been obtained from the Mississippi State Tax Commission.

Board of Supervisors' Response

In the future, we will not spend the avails of the one mill special tax levy until proper approval from the Mississippi State Tax Commission.

2. Finding

Section 27-39-317, Miss. Code Ann. (1972) states that in making the levy of taxes, the Board of Supervisors shall specify, in its order the levy for each specific purpose. As stated in prior years, the Board of Supervisors did not prepare and approve a board order that listed all individual levies with the specific statutory references for the individual levies.

Recommendation

The Board of Supervisors should comply with Section 27-39-317, Miss. Code Ann. (1972) that requires the board order approving the tax levy to include the individual levies and the specific statutory authority for the said levy.

Board of Supervisors' Response

In the future, a board order will be approved that includes the individual levies and the specific authority for said levies.

3. Finding

Sections 9-11-7 & 65-17-1, Miss. Code Ann. (1972) require the county to bond justice court judges and county road managers. As a result of our procedures we observed one instance where a road manager and two instances where the justice court judges were not properly bonded for the entire year in accordance with state statute.

Recommendation

The county should ensure that county officials are adequately bonded for the entire year and that a copy of their bond is file in the Chancery Clerk's office.

Board of Supervisors' Response

We will ensure that these issues are corrected.

4. Finding

Section 19-11-17, Miss. Code Ann. (1972) states that no expenditures shall be made, liabilities incurred or warrants issued in excess of the budget estimates as finally determined by the Board of Supervisors. This statute also states that any violation of the provisions of this section shall make the members of the Board of Supervisors voting for the same and the surety upon their official bonds, liable for the full amount of the claim allowed or contract entered into or public work provided for. As part of our procedures, we observed several funds where actual expenditures exceeded budgeted expenditures or where no budget was approved by a total of \$1,223,616.50. Failure to properly maintain the county's budgetary system could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should comply with Section 19-11-17, Miss. Code Ann. (1972) that states that no expenditures shall be made, liabilities incurred or warrants issued in excess of the budget estimates as finally determined by the Board of Supervisors

Board of Supervisors' Response

We will monitor the actual expenditures throughout the year and prepare appropriate budget amendments in order to eliminate this problem.

Greene County, Mississippi's responses to the findings included in this report were not audited, and accordingly, I express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
October 14, 2013

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SCHEDULE OF FINDINGS AND RESPONSES

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Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	
	Governmental activities	Qualified
	Business-type activities	Unqualified
	Aggregate discretely presented component units	Adverse
	Each major fund	Unqualified
	Aggregate remaining fund information	Unqualified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	Yes
	b. Significant deficiencies identified that are not considered to be a material weaknesses?	Yes
3.	Noncompliance material to the financial statements noted?	No

Significant Deficiency

Inadequate controls over debt and debt service activity.

2012-5. Finding

Internal control procedures covering debt and the related debt service are inadequate to ensure accuracy in the recording of debt and the related debt service activity. As a result of our audit procedures on long-term debt and capital leases, we observed the following:

- Debt service payments were charged to the General County Fund and Reappraisal and Mapping fund for a loan that was to be paid from the Computer Fund.
- Debt service payments were not posted to the proper general ledger accounts as determined by the Mississippi County Financial Accounting Manual.
- Proceeds for nine capital leases were not posted to the general ledger.

Without adequate controls in place over debt service payments, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish internal control procedures to ensure accuracy in recording debt and related debt service payments.

Board of Supervisors' Response

Internal control procedures will be established to ensure accuracy in recording debt and related debt service payments.

Significant Deficiency

Inadequate controls over recording revenues.

2012-6. Finding

Internal control procedures are inadequate to ensure the accurate recording of revenues in accordance with the Mississippi Financial Accounting Manual. As a result of our audit procedures, we made numerous reclassifying journal entries to post revenues to the correct general ledger account.

Without adequate controls in place over the recording of revenues, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

We recommend the comptroller closely follow the Mississippi Financial Accounting Manual in posting revenues to ensure revenues are accurately recorded.

Board of Supervisors' Response

Our newly hired Comptroller will be instructed to follow the Mississippi Financial Accounting Manual in posting revenues to the general ledger.



Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency - Material Weakness

An adequate inventory system over capital assets for governmental activities has not been established.

2012-1. Finding

As reported in prior years', internal control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of governmental activities capital assets. Records are also not properly maintained documenting depreciation for governmental activities capital assets. Without adequate controls in place over inventory of governmental activities capital assets, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish adequate internal control procedures to document the existence, completeness and valuation for capital assets. In addition, records should be maintained documenting depreciation on these capital assets.

Board of Supervisors' Response

Our Inventory Control Clerk has been working to complete the records for our capital assets.

Significant Deficiency - Material Weakness

Component Unit should be included in financials.

2012-2. Finding

As stated in the prior years', generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the county's legally separate component units.

Recommendation

The county should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

We determined it to be more cost effective to exclude the discretely presented component units from our financial statements.

Significant Deficiency - Material Weakness

Inadequate controls over reporting restricted cash accounts.

2012-3. Finding

Internal control procedures covering restricted cash accounts and proceeds from bonded debt are inadequate to ensure accuracy in the proper recording of these amounts in the general ledger and the monthly reconciliation of these cash balances to the bank statements. As a result of our audit procedures, we observed that the Debt Service Reserve and Capitalized Interest Funds with balances of \$272,381 and \$376,488, respectively, were not properly recorded in the general ledger or reconciled to the monthly bank statements. Without adequate controls in place over restricted cash accounts, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The county should record all restricted cash accounts bearing the county's name as well as reconcile those accounts to the monthly statements.

Board of Supervisors' Response

We will ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay.

Significant Deficiency

County signed warrants without sufficient money.

2012-4. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued in the Payroll Clearing Fund which did not have sufficient money to pay the warrants. As of September 30, 2012, the Payroll Clearing Fund had a negative cash balance of \$23,980. Failure to have sufficient cash balances in county funds prior to writing checks on these funds could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

All restricted cash accounts bearing the County's name will be recorded in the general ledger, and will be reconciled to the monthly statements.

Significant Deficiency

Inadequate controls over debt and debt service activity.

2012-5. Finding

Internal control procedures covering debt and the related debt service are inadequate to ensure accuracy in the recording of debt and the related debt service activity. As a result of our audit procedures on long-term debt and capital leases, we observed the following:

- Debt service payments were charged to the General County Fund and Reappraisal and Mapping fund for a loan that was to be paid from the Computer Fund.
- Debt service payments were not posted to the proper general ledger accounts as determined by the Mississippi County Financial Accounting Manual.
- Proceeds for nine capital leases were not posted to the general ledger.

Without adequate controls in place over debt service payments, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish internal control procedures to ensure accuracy in recording debt and related debt service payments.

Board of Supervisors' Response

Internal control procedures will be established to ensure accuracy in recording debt and related debt service payments.

Significant Deficiency

Inadequate controls over recording revenues.

2012-6. Finding

Internal control procedures are inadequate to ensure the accurate recording of revenues in accordance with the Mississippi Financial Accounting Manual. As a result of our audit procedures, we made numerous reclassifying journal entries to post revenues to the correct general ledger account.

Without adequate controls in place over the recording of revenues, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

We recommend the comptroller closely follow the Mississippi Financial Accounting Manual in posting revenues to ensure revenues are accurately recorded.

Board of Supervisors' Response

Our newly hired Comptroller will be instructed to follow the Mississippi Financial Accounting Manual in posting revenues to the general ledger.

Significant Deficiency

Inadequate controls over posting transactions to prior period.

2012-7. Finding

Internal control procedures are inadequate to ensure that transactions are not posted in a period after the period has been closed. As a result of our audit procedures, we found that transactions were posted to two individual funds totaling \$141,467 after the bank reconciliation had been prepared and approved and the month was closed out. Without adequate controls in place over the recording of transactions to prior periods, the risk increases that inaccurate information may be reported and loss or misappropriation of public assets could occur.

Recommendation

The board of supervisors should establish internal control procedures to ensure transactions are not posted to a prior period after it has been closed.

Board of Supervisors' Response

This matter will be discussed with our newly hired Comptroller, who will be instructed to establish internal control procedures that will ensure that transactions are not posted to a prior period after it has been closed.