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GREENE COUNTY, MISSISSIPPI

**UNAUDITED PRIMARY GOVERNMENT
FINANCIAL STATEMENTS AND
SPECIAL REPORTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2006

GREENE COUNTY, MISSISSIPPI
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FINANCIAL SECTION

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Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Members of the Board of Supervisors
Greene County, Mississippi

I was engaged to audit 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, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management.

The financial statements referred to above include only the primary government of Greene County, Mississippi which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Greene County, Mississippi, as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

I was unable to examine supporting documentation for Greene County, Mississippi's Public Assistance Grant from the Department of Homeland Security that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs. This information is currently being held by the Investigative Division of the Office of State Auditor. Therefore, I was unable to satisfy myself about the amounts at which assets, liabilities, revenues and expenditures were recorded in the accompanying financial statements for this grant project.

I was unable to obtain written representations from management of Greene County, Mississippi as required by generally accepted auditing standards.

Because I was unable to examine supporting documentation for Greene County, Mississippi's Public Assistance Grant and I was not able to apply other auditing procedures to satisfy myself as to whether the financial statements are presented in accordance with generally accepted accounting principles and because management did not provide me with written representations, the scope of my work was not sufficient to enable me to express, and I do not express an opinion on the financial statements as listed in the table of contents.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated July 20, 2007, on my consideration Greene County, Mississippi's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Greene County, Mississippi, has not presented Management's Discussion and Analysis and the Budgetary Comparison Schedule and corresponding notes that are not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board.

My engagement was conducted for purpose of forming opinions on the primary government financial statements that collectively comprise Greene County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. As explained in the fifth paragraph of this report, the scope of my work was not sufficient to enable me to express an opinion on the primary government financial statements. Similarly the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the accompanying Schedule of Expenditures of Federal Awards.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
July 20, 2007

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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GREENE COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,508,013	\$ 48,628	\$ 2,556,641
Cash with fiscal agents	419,283	-	419,283
Property tax receivable	2,932,103	-	2,932,103
Accounts receivable (net of allowance for uncollectibles of \$85,365)	-	64,021	64,021
Fines receivable (net of allowance for uncollectibles of \$267,546)	128,349	-	128,349
Intergovernmental receivables	57,173	-	57,173
Other receivables	37,389	-	37,389
Internal balances	(51,641)	51,641	-
Capital assets:			
Land and construction in progress	116,998	-	116,998
Other capital assets	10,682,436	-	10,682,436
Other capital assets, net	-	260,789	260,789
Total assets	<u>\$ 16,830,103</u>	<u>\$ 425,079</u>	<u>\$ 17,255,182</u>
LIABILITIES			
Claims payable	\$ 69,701	\$ 5,733	\$ 75,434
Retainage payable	80,058	-	80,058
Intergovernmental payables	85,658	-	85,658
Accrued interest payable	168,433	-	168,433
Deferred revenue	2,932,103	-	2,932,103
Other payables	34,402	-	34,402
Long-term liabilities			
Due within one year:			
Capital debt	582,370	54,970	637,340
Noncapital debt	171,053	-	171,053
Due in more than one year:			
Capital debt	4,473,468	189,836	4,663,304
Noncapital debt	527,397	-	527,397
Total liabilities	<u>\$ 9,124,643</u>	<u>\$ 250,539</u>	<u>\$ 9,375,182</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,743,596	\$ 15,983	\$ 5,759,579
Restricted:			
Expendable:			
General government	67,316	-	67,316
Debt service	339,522	-	339,522
Public safety	215,862	-	215,862
Public works	1,828,477	158,557	1,987,034
Culture and recreation	34,820	-	34,820
Conservation of natural resources	(52,497)	-	(52,497)
Economic development	86,076	-	86,076
Unrestricted	(557,713)	-	(557,713)
Total net assets	<u>\$ 7,705,459</u>	<u>\$ 174,540</u>	<u>\$ 7,879,999</u>

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, 2006

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	\$ 2,529,083	\$ 304,181	\$ -	\$ -	\$ (2,224,902)	\$ -	\$ (2,224,902)
Public safety	1,157,220	129,405	363,069	-	(664,746)	-	(664,746)
Public works	15,546,479	1,726	11,441,749	243,886	(3,859,118)	-	(3,859,118)
Health and welfare	30,264	-	52,000	-	21,736	-	21,736
Culture and recreation	161,003	-	24,075	40,000	(96,928)	-	(96,928)
Conservation of natural resources	49,146	-	-	-	(49,146)	-	(49,146)
Economic development and assistance	34,497	-	-	-	(34,497)	-	(34,497)
Interest on long-term debt	423,476	-	-	-	(423,476)	-	(423,476)
Total governmental activities	19,931,168	435,312	11,880,893	283,886	(7,331,077)	-	(7,331,077)
Business-type activities:							
Solid waste	456,101	428,419	2,335	-	-	(25,347)	(25,347)
Total business-type activities	456,101	428,419	2,335	-	-	(25,347)	(25,347)
Total primary government	<u>\$ 20,387,269</u>	<u>\$ 863,731</u>	<u>\$ 11,883,228</u>	<u>\$ 283,886</u>	<u>(7,331,077)</u>	<u>(25,347)</u>	<u>(7,356,424)</u>
General revenues:							
Property taxes					4,417,205	-	4,417,205
Road & bridge privilege taxes					128,502	-	128,502
Grants and contributions not restricted to specific programs					693,177	-	693,177
Unrestricted gifts and donations					5,000	-	5,000
Unrestricted interest income					47,932	-	47,932
Insurance loss recoveries					141,537	-	141,537
Miscellaneous					139,015	-	139,015
Gain on sale of capital assets					1,374,279	1,000	1,375,279
Total general revenues					6,946,647	1,000	6,947,647
Change in net assets					(384,430)	(24,347)	(408,777)
Net assets - beginning					8,089,889	198,887	8,288,776
Net assets - ending					<u>\$ 7,705,459</u>	<u>\$ 174,540</u>	<u>\$ 7,879,999</u>

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

Exhibit 3

GREENE COUNTY, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2006

	ASSETS					LIABILITIES AND FUND BALANCES			
	General Fund	District Two Road Fund	District Three Road Fund	District Four Road Fund	District Five Road Fund	Other Governmental Funds	Total Governmental Funds		
Cash	\$ 185,381	\$ 683,295	\$ -	\$ 791,468	\$ -	\$ 847,869	\$ 2,508,013		
Cash with fiscal agents	-	-	-	-	-	419,283	419,283		
Property tax receivable	1,805,690	137,743	137,743	137,743	137,743	575,441	2,932,103		
Fines receivable (net of allowance for for uncollectibles of \$267,546)	128,349	-	-	-	-	-	128,349		
Intergovernmental receivables	57,173	-	-	-	-	-	57,173		
Other receivables	2,192	-	-	-	-	-	2,192		
Due from other funds	261,094	10,074	10,074	197,753	10,074	42,761	531,830		
Advances to other funds	2,100	-	-	-	-	128,000	130,100		
Total assets	\$ 2,441,979	\$ 831,112	\$ 147,817	\$ 1,126,964	\$ 147,817	\$ 2,013,354	\$ 6,709,043		
Claims payable	\$ 28,293	\$ 1,169	\$ 2,005	\$ 2,515	\$ 1,020	\$ 34,699	\$ 69,701		
Retainage payable	-	19,906	18,317	41,835	-	-	80,058		
Intergovernmental payables	85,658	-	-	-	-	-	85,658		
Due to other funds	94,435	21,820	122,306	21,820	75,916	217,663	553,960		
Advances from other funds	128,000	-	-	-	-	-	128,000		
Deferred revenue	1,934,039	137,743	137,743	137,743	137,743	575,441	3,060,452		
Other payables	30,816	-	-	-	-	-	30,816		
Total liabilities	2,301,241	180,638	280,371	203,913	214,679	827,803	4,008,645		
Fund balances:									
Reserved for:									
Debt service	-	-	-	-	-	339,522	339,522		
Advances	-	-	-	-	-	128,000	128,000		
Unreserved, reported in:									
General fund	140,738	-	-	-	-	-	140,738		
Special revenue funds	-	650,474	(132,554)	923,051	(66,862)	718,029	2,092,138		
Total fund balances	140,738	650,474	(132,554)	923,051	(66,862)	1,185,551	2,700,398		
Total liabilities and fund balances	\$ 2,441,979	\$ 831,112	\$ 147,817	\$ 1,126,964	\$ 147,817	\$ 2,013,354	\$ 6,709,043		

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, 2006

Total fund balance, governmental funds (Exhibit 3)	\$ 2,700,398
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore are not reported in the funds.	10,799,434
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	128,349
Long-term liabilities are not due and payable in the current- period and, therefore are not reported in the funds.	(5,754,288)
Accrued interest payable is not due and payable in the current period and, therefore is not reported in the funds.	(168,433)
Rounding	(1)
Total net assets - governmental activities (Exhibit 1)	<u>\$ 7,705,459</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, 2006

	General Fund	District Two Road Fund	District Three Road Fund	District Four Road Fund	District Five Road Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 2,620,061	\$ 182,205	\$ 182,205	\$ 182,205	\$ 182,201	\$ 1,068,329	\$ 4,417,206
Road and bridge privilege taxes	-	26,132	26,132	26,132	26,132	25,700	130,228
Licenses, commissions and other revenue	75,347	-	-	-	-	4,288	79,635
Fines and forfeitures	253,759	-	-	-	-	-	253,759
Intergovernmental revenues	356,549	3,221,108	1,897,593	3,451,665	3,223,044	711,815	12,861,774
Charges for services	15,500	-	-	-	-	90,855	106,355
Interest income	47,932	-	-	-	-	-	47,932
Miscellaneous revenues	93,809	677	677	677	2,410	41,949	140,199
Total revenues	<u>3,462,957</u>	<u>3,430,122</u>	<u>2,106,607</u>	<u>3,660,679</u>	<u>3,433,787</u>	<u>1,942,936</u>	<u>18,037,088</u>
EXPENDITURES							
Current:							
General government	2,475,056	-	-	-	-	54,028	2,529,084
Public Safety	774,828	-	-	-	-	382,392	1,157,220
Public Works	-	3,740,744	3,005,759	3,766,845	4,539,160	1,042,860	16,095,368
Health and welfare	30,264	-	-	-	-	-	30,264
Culture and recreation	57,356	-	-	-	-	103,647	161,003
Conservation of natural resources	29,414	-	-	-	-	19,732	49,146
Economic development and assistance	20,726	-	-	-	-	13,771	34,497
Debt Service:							
Principal	11,073	1,029,017	1,208,324	1,003,614	1,080,906	756,586	5,089,520
Interest	17,370	47,925	50,183	45,101	43,342	79,754	283,675
Total Expenditures	<u>3,416,087</u>	<u>4,817,686</u>	<u>4,264,266</u>	<u>4,815,560</u>	<u>5,663,408</u>	<u>2,452,770</u>	<u>25,429,777</u>
Excess of revenues over (under) expenditures	<u>46,870</u>	<u>(1,387,564)</u>	<u>(2,157,659)</u>	<u>(1,154,881)</u>	<u>(2,229,621)</u>	<u>(509,834)</u>	<u>(7,392,689)</u>
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	545,333	1,702,260	1,565,692	-	1,702,260	-	5,515,545
Long-term non-capital debt issued	-	-	-	1,702,260	-	897,260	2,599,520
Proceeds from sale of capital assets	-	186,140	428,647	218,483	208,274	332,735	1,374,279
Insurance loss recoveries	53,264	-	-	13,255	-	75,019	141,538
Total other financing sources and uses	<u>598,597</u>	<u>1,888,400</u>	<u>1,994,339</u>	<u>1,933,998</u>	<u>1,910,534</u>	<u>1,305,014</u>	<u>9,630,882</u>
Net change in fund balances	<u>645,467</u>	<u>500,836</u>	<u>(163,320)</u>	<u>779,117</u>	<u>(319,087)</u>	<u>795,180</u>	<u>2,238,193</u>
Fund balances - beginning	<u>(504,729)</u>	<u>149,638</u>	<u>30,766</u>	<u>143,934</u>	<u>252,225</u>	<u>390,371</u>	<u>462,205</u>
Fund balances - ending	<u>\$ 140,738</u>	<u>\$ 650,474</u>	<u>\$ (132,554)</u>	<u>\$ 923,051</u>	<u>\$ (66,862)</u>	<u>\$ 1,185,551</u>	<u>\$ 2,700,398</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, 2006

Net change in fund balances - total governmental funds (Exhibit 4) \$ 2,238,193

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 \$549,181 that exceeded depreciation of \$0 in the current period. 549,181

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Issue costs of \$25,425, net of current amortization, related to the issuance of debt is expensed in the governmental funds report, but is amortized on the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$5,089,520 exceeded debt proceeds \$8,115,065. (3,000,120)

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on Statement of Activities using the full-accrual basis of accounting. (6,162)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are 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. Interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. (168,433)

Adjustment to capital leases outstanding debt balance. 2,913

Rounding (2)
Change in net assets of governmental activities (Exhibit 2) \$ (384,430)

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

GREENE COUNTY, MISSISSIPPI
Statement of Net Assets
Proprietary Fund
September 30, 2006

	Business-type Activities - Enterprise Fund Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 48,628
Accounts receivable (net of allowance for uncollectibles of \$85,365)	64,021
Due from other funds	51,641
Total current assets	<u>164,290</u>
Noncurrent assets:	
Other capital assets, net	260,789
Total assets	<u>\$ 425,079</u>
LIABILITIES	
Current liabilities:	
Claims payable	\$ 5,733
Capital debt:	
Capital leases payable	54,970
Total current liabilities	<u>60,703</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	189,836
Total noncurrent liabilities	<u>189,836</u>
Total liabilities	<u>\$ 250,539</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 15,983
Restricted:	
Public works	158,557
Total net assets	<u>\$ 174,540</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, 2006

	Business-type Activities - Enterprise Fund Solid Waste Fund
Operating revenues	
Charges for services	\$ 428,169
Miscellaneous	250
Total operating revenues	<u>428,419</u>
Operating expenses	
Personal services	153,560
Contractual services	119,891
Materials and supplies	109,011
Depreciation	71,560
Indirect administrative cost	1,784
Total operating expenses	<u>455,806</u>
Operating income	<u>(27,387)</u>
Nonoperating revenues(expenses)	
Operating grant	2,335
Interest expense	(295)
Gain on sale of capital assets	1,000
Net nonoperating revenue(expenses)	<u>3,040</u>
Change in net assets	(24,347)
Total net assets - beginning	198,887
Total net assets - ending	<u><u>\$ 174,540</u></u>

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, 2006

	Business-type Activities Enterprise Fund <u>Solid Waste Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 428,065
Payments to suppliers	(233,345)
Payments to employees	(153,560)
Other receipts	250
Net cash provided by operating activities	<u>41,410</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants received	2,335
Net cash provided by noncapital financing activities	<u>2,335</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds of long-term debt	246,315
Proceeds from sale of capital assets	1,000
Acquisition and construction of capital assets	(246,315)
Principal paid on long-term debt	(16,734)
Interest paid on long-term debt	(1,837)
Net cash provided (used) by capital and related financing activities	<u>(17,571)</u>
Net increase (decrease) in cash and cash equivalents	26,174
Cash and cash equivalents - beginning of year	22,454
Cash and cash equivalents - end of year	<u>\$ 48,628</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ (27,387)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	71,560
Provision for uncollectible accounts	(360)
(Increase) decrease in accounts receivable	256
(Increase) decrease in due from other funds	1,784
Increase (decrease) in claims payable	(4,443)
Net cash provided by operating activities	<u>\$ 41,410</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, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,957,862
Due from other funds	4,263
Other receivables	35,479
Total assets	<u>\$ 1,997,604</u>
 LIABILITIES	
Amounts held in custody for others	\$ 1,222,381
Intergovernmental payables	739,349
Due to other funds	33,774
Advances from other funds	2,100
Total liabilities	<u>\$ 1,997,604</u>

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

(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 relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- 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 and fund financial statements, which provide a detailed level of financial information.

(1) Summary of Significant Accounting Policies - Continued.

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 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. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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.

(1) **Summary of Significant Accounting Policies - Continued.**

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 (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 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 sixty days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

(1) Summary of Significant Accounting Policies - Continued.

District Two Road Fund – This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for district two road projects.

District Three Road Fund – This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for district three road projects.

District Four Road Fund – This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for district four road projects.

District Five Road Fund – This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for district five road projects.

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

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

PROPRIETARY FUND TYPE

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.

(1) **Summary of Significant Accounting Policies - Continued.**

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

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 one year or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

(1) Summary of Significant Accounting Policies Continued.

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. 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 in the government activities 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. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets 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. Current year general infrastructure assets are not reported on 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.

(1) **Summary of Significant Accounting Policies Continued.**

Capitalization thresholds (dollar value above which asset acquisitions 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 not calculated on governmental activities capital assets in the government-wide financial statements. Depreciation on business-type activities capital assets 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	\$ -	n/a
Infrastructure	-	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 will correspond with the amounts for the asset classification, as listed above.

I. Long-Term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund in the 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 Fund Statement of Net Assets.

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

(1) Summary of Significant Accounting Policies - Continued.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – Since depreciation of capital assets is not recorded in governmental activities, invested in capital assets, net of related debt in governmental activities consists of capital assets including restricted capital assets reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions, or improvements of those assets. Invested in capital assets net of related debt in business-type activities consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

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

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

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

K. Property Tax Revenues.

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

(1) Summary of Significant Accounting Policies - Continued.

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 succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires governments to report the effects of capital asset impairment in their financial statements when impairment occurs. The provisions of this new statement have been incorporated into the financial statements and accompanying notes.

(3) Deposits.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$4,514,503, which includes petty cash of \$1,100, and the bank balance was \$5,920,786. 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).

(3) **Deposits - Continued.**

Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial Institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit 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 the 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.

(4) **Interfund Transactions and Balances.**

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 191,642
General Fund	District Two Road Fund	17,363
General Fund	District Three Road Fund	17,363
General Fund	District Four Road Fund	17,363
General Fund	District Five Road Fund	17,363
Other Governmental Funds	General Fund	16,164
Other Governmental Funds	District Two Road Fund	4,457
Other Governmental Funds	District Three Road Fund	4,457
Other Governmental Funds	District Four Road Fund	4,457
Other Governmental Funds	District Five Road Fund	4,457
Other Governmental Funds	Other Governmental Funds	8,769
District Two Road Fund	General Fund	5,761
District Two Road Fund	Other Governmental Funds	4,313
District Three Road Fund	General Fund	5,761
District Three Road Fund	Other Governmental Funds	4,313
District Four Road Fund	General Fund	5,761
District Four Road Fund	Other Governmental Funds	4,313
District Four Road Fund	District Five Road Fund	54,096
District Four Road Fund	District Three Road Fund	100,486
District Four Road Fund	Agency Funds	33,097
District Five Road Fund	General Fund	5,761
District Five Road Fund	Other Governmental Funds	4,313
Solid Waste Fund	General Fund	51,641
Agency Funds	General Fund	3,586
Agency Funds	Agency Funds	677
Total		<u>\$ 587,734</u>

(4) Interfund Transactions and Balances - Continued.

The interfund receivable balance consists of the following items:

- Tax revenue collected but not settled until October, 2006.
- Operating loans made from the General Fund to other governmental funds.
- An operating loan made by the Solid Waste Fund to the General Fund.
- Interfund expenses and revenues charged to the incorrect fund.
- Unauthorized uses of cash from certain Road District Funds by other District Road Funds and Agency Funds.

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
Other Governmental Funds	General Funds	128,000
Total		<u>\$ 130,100</u>

The General Fund receivable of \$2,100 is the payroll for chancery clerk 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 \$120,000 transfer made to the General Fund in fiscal year 2004.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tag Credit	\$ 57,173
Total	<u>\$ 57,173</u>

(6) **Capital Assets.**

The following is a summary of capital assets activity for the year ended September 30, 2006:

Governmental activities:

	Balance 10/1/05	Additions	Deletions	Adjustments *	Balance 9/30/06
<u>Non-depreciable capital assets:</u>					
Land	\$ 116,998	\$ -	\$ -	\$ -	\$ 116,998
Total non-depreciable capital assets	116,998	-	-	-	116,998
<u>Depreciable capital assets:</u>					
Buildings	2,767,664	-	-	-	2,767,664
Improvements other than buildings	18,349	-	-	-	18,349
Mobile equipment	4,450,969	-	-	-	4,450,969
Furniture and equipment	635,117	-	-	-	635,117
Leased property under capital leases	2,261,157	2,295,065	1,745,884	(1)	2,810,337
Total depreciable capital assets	10,133,256	2,295,065	1,745,884	(1)	10,682,436
<u>Less accumulated depreciation for:</u>					
Infrastructure	-	-	-	-	-
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Mobile equipment	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Leased property under capital leases	-	-	-	-	-
Total accumulated depreciation	-	-	-	-	-
Total depreciable capital assets, net	10,133,256	2,295,065	1,745,884	(1)	10,682,436
Governmental activities capital assets, net	<u>\$ 10,250,254</u>	<u>\$ 2,295,065</u>	<u>\$ 1,745,884</u>	<u>\$ (1)</u>	<u>\$ 10,799,434</u>

See Note 1(H) for additional discussion regarding governmental activities capital assets.

* Adjustments represent rounding differences

(6) **Capital Assets - Continued.**

Business-type activities:

	Balance 10/1/05	Additions	Deletions	Adjustments	Balance 9/30/06
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 276,944	\$ -	\$ -	\$ -	\$ 276,944
Leased property under capital leases	73,391	246,315	-	-	319,706
Total depreciable capital assets	350,335	246,315	-	-	596,650
<u>Less accumulated depreciation for:</u>					
Mobile equipment	231,075	9,087	-	-	240,162
Leased property under capital leases	33,226	62,473	-	-	95,699
Total accumulated depreciation	264,301	71,560	-	-	335,861
Business-type activities capital assets, net	<u>\$ 86,034</u>	<u>\$ 174,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,789</u>

The adjustments represent a capital lease that was paid off during the year and transferred from "Leased property under capital leases" to "Mobile equipment".

Depreciation expense was charged to the following function:

Business-type activities:	Amount
Solid waste	<u>\$ 71,560</u>

(7) **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 Worker's 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 \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) **Capital Leases.**

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,810,337	\$ 319,706
Total	2,810,337	319,706
Less: Accumulated depreciation	-	95,699
Leased Property Under Capital Leases	<u>\$ 2,810,337</u>	<u>\$ 224,007</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

<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>
2007	\$ 538,938	\$ 83,725	\$ 54,970	\$ 10,317
2008	659,702	61,736	50,942	7,989
2009	534,214	38,094	53,163	5,768
2010	230,250	26,054	46,452	3,526
2011	421,697	10,318	39,279	1,747
Total	<u>\$ 2,384,801</u>	<u>\$ 219,927</u>	<u>\$ 244,806</u>	<u>\$ 29,347</u>

(9) **Short-term Debt and Liquidity.**

<u>Description of Debt</u>	<u>Balance 10/1/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 9/30/06</u>
Governmental Activities:					
Tax anticipation note	500,000	-	500,000	-	-
Revenue anticipation note	600,000	-	600,000	-	-
Total	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>

During the month of June, 2005, the county issued \$500,000 of tax anticipation notes in order to alleviate a temporary operating cash flow deficiency and that have been subsequently paid off. During September of 2005, the county issued \$600,000 of revenue anticipation notes in order to pay for hurricane clean-up costs incurred during fiscal year 2006 and that was reimbursed by FEMA.

(10) **Long-term Debt.**

Debt outstanding as of September 30, 2006, consisted of the following:

B. Capital Leases:

Motor grader - District 2	\$ 89,082	3.38	08-08
Backhoe - District 2	23,353	3.54	07-08
GMC pickup - District 4	2,833	2.91	02-07
GMC pickup - District 2	2,287	2.91	01-07
Ford F550 - District 5	6,290	2.91	05-07
Wheel loader	75,870	2.91	03-07
Excavator - District 4	102,220	3.04	07-07
Motor grader - District 1	165,916	3.49	11-08
Motor grader - District 2	131,806	3.04	01-08
Motor grader - District 4	131,806	3.04	01-08
Wheel loader - District 4	58,801	3.11	01-09
Wheel loader - District 4	81,450	3.11	01-09
Wheel loader - District 5	58,801	3.11	01-09
Wheel loader - District 5	81,450	3.11	01-09
Wheel loader - District 1	56,572	3.04	01-08
Two Motor graders	332,104	3.59	11-10
Two Ford Crown Victorias	34,260	6.75	12-08
Ten 2007 Mack dump trucks	949,900	4.29	9-11
Total Capital Leases	<u>\$ 2,384,801</u>		

C. Other Loans:

Fire truck loan	23,511	4.65	05-09
Fire truck loan	202,525	3.00	05-12
Loan	32,603	5.00	05-07
Loan	71,986	2.00	01-15
Loan	244,286	4.95	07-10
Loan	375,000	5.49	08-11
Total Other Loans	<u>949,911</u>		

(10) Long-term Debt - Continued.

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
Capital Leases:			
Ford truck	\$ 6,157	5.15	09-07
Garbage truck	\$ 58,286	4.10	03-10
Garbage truck	\$ 180,363	4.36	09-11
Total Capital leases	<u>\$ 244,806</u>		

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest *	Principal	Interest
2007	\$ -	\$ -	\$ 214,485	\$ 41,084
2008	-	-	185,596	32,572
2009	-	-	188,102	23,868
2010	-	-	183,678	15,247
2011	-	-	131,105	6,467
2012-2016	-	-	46,945	1,170
2022-2026	2,445,000	-	-	-
Total	<u>\$ 2,445,000</u>	<u>\$ -</u>	<u>\$ 949,911</u>	<u>\$ 120,408</u>

* Maturities relating to interest payments have not been disclosed since they are based on market rate at the time when individual payments are due.

Governmental Activities:

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, 2006, the amount of outstanding debt was equal to .82% of the latest property assessments.

(10) **Long-term Debt - Continued.**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance 10/1/05	Additions	Reductions	Adjustments	Balance 9/30/06	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 300,000	\$ 2,445,000	\$ 300,000	\$ -	\$ 2,445,000	\$ -
Capital leases	1,637,532	2,295,065	1,544,882	(2,914)	2,384,801	538,938
Other loans	819,549	3,375,000	3,244,638	-	949,911	214,485
Deferred charges	-	(25,717)	(292)	1	(25,424)	-
Total	<u>\$ 2,757,081</u>	<u>\$ 8,089,348</u>	<u>\$ 5,089,228</u>	<u>\$ (2,913)</u>	<u>\$ 5,754,288</u>	<u>\$ 753,423</u>
Business-type Activities:						
Capital leases	<u>\$ 16,767</u>	<u>\$ 246,315</u>	<u>\$ 16,734</u>	<u>\$ (1,542)</u>	<u>\$ 244,806</u>	<u>\$ 54,970</u>

(11) **Deficit Fund Balances of Individual Funds.**

The following funds reported deficits in fund balances at September 30, 2006:

Fund	Amount
School Cops Grant	\$ 19,302
Homeland Security Grant #1	2,385
Homeland Security Grant #2	42,119
Sandhill Recreation Grant	474
Volunteer Fire	42,608
Museum Archives & History	15,684
Bridge and Culvert/One	18,516
Greene County Pit Operation	52,497
District Three Road Fund	132,554
District Five Road Fund	66,862
Total	<u>\$ 393,001</u>

(12) **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.

(12) Contingencies - Continued.

The county and certain of its elected officials are currently under investigation by certain law enforcement agencies regarding its administration of funds received from a Public Assistance Grant used to fund the clean-up costs of Hurricane Katrina.

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.

(13) Joint Venture.

The county participates in the following joint venture:

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 \$33,000. Complete financial statements for the Pine Forest Regional Library can be obtained from P. O. Box 1208; Richton, MS 39476.

(14). 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 \$20,900 for support of the district in fiscal year 2006.

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 appropriated \$50,920 for support of the district in fiscal year 2006.

(14). **Jointly Governed Organizations - Continued.**

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 appropriated \$21,000 for support of the entity in fiscal year 2006.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Clarke County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$128,511 for maintenance and support of the college in fiscal year 2006.

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.

(15) **Defined Benefit Pension Plan.**

Plan Description. Clarke 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.

(15) Defined Benefit Pension Plan - Continued.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 is 11.30% 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, 2006, 2005, and 2004 were \$190,951, \$171,516, and \$151,161 respectively, equal to the required contributions for each year.

(16) Related Party Transactions

Greene County, Mississippi purchased \$308,932 of fuel and repairs parts from Dearman Oil Company, a company owned by the brother of one of the supervisors. Greene County, Mississippi also purchased \$149,026 of purchases services to lay asphalt from D & M Construction, a company owned by the brother of one of the supervisors.

SUPPLEMENTAL INFORMATION

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GREENE COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
MAJOR FEDERAL AWARDS			
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway Planning and Construction	20.205	N/A	\$ 478,066
U. S. Department of Housing and Urban Development Passed-through the Mississippi Emergency Management Agency			
Public Assistance Grants	97.036	N/A	11,652,205
Total Expenditures of Major Federal Awards			<u>12,130,271</u>
OTHER FEDERAL AWARDS			
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program	14.228	1119-02-021-SH-01	15,669
U. S. Departments of Justice Public Safety Partnership and Community Policing Grants (COPS)	16.710	2000SHWX0378	52,576
U. S. Department of Homeland Defense Passed-through the Mississippi Emergency Management Agency			
State domestic preparedness equipment support program	97.004	3SSG-2013	21,943
Total Expenditures of Other Federal Awards			<u>90,188</u>
Total Expenditures of Federal Awards			<u>\$ 12,220,459</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on a modified accrual basis of accounting.

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SPECIAL REPORTS

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Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Members of the Board of Supervisors
Greene County, Mississippi

I was engaged to audit the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for Greene County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued my report thereon dated July 20, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. I do not express an opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information because of scope limitations due to the unavailability of certain supporting documentation and my inability to obtain written representations from management.

Internal Control Over Financial Reporting

I was engaged to consider Greene County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Greene County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions described in the accompanying Schedule of Findings and Questioned Costs as items 06-1, 06-2 and 06-3.

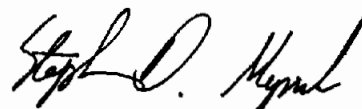
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 06-1 and 06-2 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Greene County, Mississippi's primary government financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Schedule of Findings and Questioned Costs as item 06-4 and 06-5.

However, I noted certain immaterial instances of noncompliance or other matters which I have 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 July 20, 2007 included within this document.

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



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
July 20, 2007

Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

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American Institute of
Certified Public Accountants*

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

Members of the Board of Supervisors
Greene County, Mississippi

Compliance

I was engaged to audit the compliance of the Greene County, Mississippi with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Greene County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Greene County, Mississippi's management.

Because of the scope limitations due to the unavailability of certain supporting documentation and my inability to obtain representations from management, the scope of my work was not sufficient to enable me to express an opinion and I do not express such an opinion on Greene County, Mississippi's compliance with activities allowed or unallowed, allowable costs/cost principles, eligibility, matching, period of availability, procurement and suspension and debarment, reporting and special tests that are applicable to each of the Greene County, Mississippi's major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Greene County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance requirements of laws, regulations, contracts, and grants applicable to federal programs.

For the reasons described in the second paragraph, I was unable to plan and perform tests of Greene County, Mississippi's internal control over 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
July 20, 2007

Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
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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

I was engaged to make a study and evaluation of the central purchasing system and inventory control system of Greene County, Mississippi, as of and for the ended September 30, 2006. However, I was unable to obtain supporting documentation for Greene County, Mississippi's Public Assistance Grant from the Department of Homeland Security that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs, written representations from management of Greene County, Mississippi as required by generally accepted auditing standards.

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

Because I was unable to examine supporting documentation for Greene County, Mississippi's Public Assistance Grant from the Department of Homeland Security that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs and because I was unable to obtain written representations from management of Greene County, Mississippi as required by generally accepted auditing standards, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on Greene County, Mississippi's compliance with state laws governing central purchasing, inventory and bid requirements as of September 30, 2006.

The results of my engagement did, however, disclose instances of noncompliance with the aforementioned code sections. My 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. 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 not properly maintained documenting the depreciation on these capital assets.

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

Multiple personnel changes have occurred in this position, but the Board of Supervisors is working on establishing stability and continuity in this position. We are in the process of establishing stricter and more detailed records and reports pertaining to all inventories. Further, any new personnel filling this position will be required to attend any training available for this job and to make regular reports to the Board of Supervisors. Also, a system for documenting the depreciation of capital assets will be implemented as soon as possible and all records will be up to date as much as reasonably possible.

2. Finding

Section 31-7-113, Miss. Code Ann. (1972), requires the purchase clerk to develop a system of central purchasing that fulfills the requirements for central purchasing established by the Office of State Auditor. Section 19-13-29, Miss. Code Ann. (1972), also requires the clerk to file the claims and safely preserve them. As stated in the prior year, I observed ten instances where handwritten checks were issued by the comptroller without proper supporting documentation such as purchase requisitions, purchase orders, receiving reports and invoices.

Recommendation

The Board of Supervisors should develop a system that fulfills the requirements for central purchasing established by the Office of State Auditor. The practice on handwritten checks should be eliminated immediately.

Board of Supervisors' Response

The Board of Supervisors, the Board's Counsel and the Chancery Clerk are currently working on implementing safeguards and strict procedures pertaining to the issuance of any check. It is the intention of all personnel involved to completely eliminate the issuance of handwritten checks other than in the case of extreme emergencies where such is allowed by statute. Further, we spoke with the audit department earlier this year and were given detailed recommendations as to our central purchasing department. We are currently implementing all recommendations which will bring the department within strict compliance with all requirements and guidance of Mississippi statute and/or the Office of State Auditor.

3. Finding

As a result of my engagement, I observed noncompliance with Section 31-7-13, Miss. Code Ann. (1972), Mississippi Purchasing Laws. Specifically, there were three instances where the minutes of the Board of Supervisors state that capital purchases were purchased on state contract but no documentation was provided where the items were actually purchased on the state contract.

Recommendation

A copy of the state contract should be included in either the paid invoice packet or in a separate file for each purchase on state contract.

Board of Supervisors' Response

All packets for purchases made under state contract will be supplemented with attached documentation detailing the manner and procedure of purchases. Further, a separate "master" file shall be maintained in the purchasing clerk's office containing all instances of state contract purchases and the documentation substantiating compliance with statute regarding said purchases.

Purchase Clerk

4. Finding

As result of my engagement, I observed the following instances of noncompliance with requirements over central purchasing:

- Four instances where the receiving report was not present.
- Three instances where the date sequence for the purchasing documents (requisition, purchase order, receiving report and invoice) were not in logical order.
- Four instances where supporting documentation was not present.
- Two instances where open purchase orders had not been properly completed.

Recommendation

The purchasing clerk fulfill requirements for central purchasing established by the Office of State Auditor.

Purchase Clerk's Response

The purchase clerk will take additional care to follow Central Purchase Laws more closely.

The accompanying schedules of (1) purchase not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules are unaudited because I was unable to examine supporting documentation for Greene County, Mississippi's Public Assistance Grant and I was not able to apply other auditing procedures to satisfy myself as to whether the financial statements are presented in accordance with generally accepted accounting principles and because management did not provide me with written representations, the scope of my work was not sufficient to enable me to express, and I do not express an opinion on the financial statements as listed in the table of contents.

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
July 20, 2007

GREENE COUNTY, MISSISSIPPI
Schedule of Purchases Made Not From the Lowest Bidder
For the Year Ended September 30, 2005

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other than Lowest Bid
07/01/06	Waste Truck	\$124,884	Truck Equipment	\$121,265	Delivery date and better unit
07/01/06	Waste Carts	\$52	Ameri-Kart	\$48	Warranty

GREENE COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
For the Year Ended September 30, 2005

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
6/1/06	Bridge repair on two bridges	\$7,400	Scott Nettles	Weak Bridges

GREENE COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2005

Date	Item Purchased	Amount Paid	Vendor
01/01/06	Tasers	\$4,279	Taser International

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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GREENE COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued on the primary government financial statements: | |
| Governmental activities | Disclaimer |
| Business-type activities | Disclaimer |
| General Fund | Disclaimer |
| District Two Road Fund | Disclaimer |
| District Three Road Fund | Disclaimer |
| District Four Road Fund | Disclaimer |
| District Five Road Fund | Disclaimer |
| Aggregate remaining fund information | Disclaimer |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Reportable condition identified that is not considered to be a material weakness? | Yes |
| 3. Noncompliance material to the primary government financial statements? | Yes |

Federal Awards:

- | | |
|--|------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Reportable condition identified that is not considered to be a material weakness? | No |
| 5. Type of auditor's report issued on compliance for major federal Programs: | Disclaimer |
| 6. Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Public Assistance Grant
CFDA #97.036 | |
| b. Highway Planning and Construction
CFDA #20.205 | |

GREENE COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

- | | |
|--|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$366,614 |
| 9. Auditee qualified as low-risk auditee? | No |
| 9. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | Yes |

Section 2: Financial Statement Findings

06-1. 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.

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

Multiple personnel changes have occurred in this position, but the Board of Supervisors is working to establish stability and continuity in this position. We are in the process of establishing stricter and more detailed records and reports pertaining to all inventories. Further, any new personnel filling this position will be required to attend any training available for this job and to make regular reports to the Board of Supervisors. Also, a system for documenting the depreciation of capital assets will be implemented as soon as possible and all records will be up to date as much as reasonably possible.

GREENE COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

06-2. Finding

Internal control procedures are inadequate to ensure the accuracy of payroll, payroll benefits and the related accounting for those transactions. As a result of my engagement, I observed the following weaknesses in internal control procedures:

- The Payroll Clearing Agency Fund bank account was not properly and timely reconciled after February 2006.
- The financial accounting system for the Payroll Clearing Agency Fund and the related payroll system were not properly maintained.
- Employees were paid through the accounts payable system without the proper withholdings.
- Handwritten payroll checks were issued.
- Retirement wages reported through the county's payroll system for the Chancery Clerk for five months did not agree to the retirement wages reported to PERS.
- Retirement contributions paid by the county on behalf of the Chancery Clerk for her earnings as Chancery Clerk for two months do not appear to have been properly reimbursed by the Chancery Clerk.

Recommendation

Internal control procedures should be adopted to ensure that:

- The Payroll Clearing Agency Fund bank account is accurately and timely reconciled.
- The financial accounting system for the Payroll Clearing Agency Fund and related payroll system are properly maintained.
- All employees are properly classified and have the proper withholdings deducted from their pay.
- All payroll checks are issued through the payroll system.
- Retirement wages reported on monthly retirement reports prepared by the payroll system for the Chancery Clerk agree to the wages reported to PERS.
- Retirement contributions paid by the county on behalf of the Chancery Clerk are properly reimbursed.

Board of Supervisors' Response

All recommendations made in the audit report will be adopted and implemented. Further, all payroll accounts will be examined and brought into compliance. All retirement contributions and reports will be balanced monthly to ensure compliance. Withholdings and other employee information will be reviewed and updated or corrected as necessary.

GREENE COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

06-3. Finding

Internal control procedures are inadequate to ensure the proper recording of interest income. As a result of my engagement, I observed an instance where interest for one month in the amount of \$6,815.84 does not appear to have been recorded and one instance where interest earned for the month was \$7,458.73 but was record as \$1,404.79.

Recommendation

The Board of Supervisors should implement internal control procedures to ensure that interest income is properly recorded.

Board of Supervisors' Response

Control procedures will be implemented to ensure the proper recording and posting of all income, to specifically include interest income. Regular reports will be available to the Board of Supervisors for review to further verify accuracy of the recording and reporting of income.

06-4. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires evidence that a complete and correct record of all board orders and proceedings be kept. This statute also requires the president or vice-president to sign the minutes at least once a month. Based on my engagement, it does not appear that the county has internal control procedures in place to ensure that minutes of the board are timely prepared, that the president of the board signs those minutes within thirty days or that a complete and correct record of all board orders and proceedings is kept.

Recommendation

Minutes of the Board of Supervisors are prepared timely, signed by the president of the board within thirty days of adjournment and are sequential numbered with a permanent numbering system.

Board of Supervisors' Response

Minutes of all meetings will be prepared timely and presented to the President of the Board of Supervisors for his review and signature within thirty days of the meeting's adjournment. Further, permanent sequential numbering will be instituted with regard to all minutes, orders and attachments thereto.

GREENE COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

06-5. Finding

As stated in prior years, 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 a result of my audit procedures, I observed the following funds with actual expenditures in excess of budgeted expenditures by \$17,868,217:

- General County
- Computer Fund
- Multi Purpose Facility
- Volunteer Fire
- Road District One
- Road District Two
- Road District Three
- Road District Four
- Road District Five
- Bridge and Culvert One
- Jail Bond/Urban Renewal
- Solid Waste

As a result of my audit procedures, I observed the following funds with total expenditures of \$269,165 that were unbudgeted:

- School Cops Grant
- Homeland Security Grant #2
- Public Safety Sheriff Grant 06
- Sandhill Recreational Gant 2002
- State Aid Road Fund
- County Pit Operation

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

GREENE COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

Board of Supervisors' Response

The Board of Supervisors will be provided with a complete copy of, a summary of and explanation of Section 19-11-7. Counsel of the Board of Supervisors will immediately review said section with the Board and make recommendations to bring all accounting, purchasing and expenditures with compliance of said section. The Board of Supervisors will strictly observe all requirements of the statute and regulations regarding expenditures of funds in excess of the final budget estimate.

Section 3: Federal Award Findings and Questioned Costs

I was unable to perform single audit procedures due to the unavailability of accounting records for federal grant programs identified as major programs. Greene County, Mississippi is currently under investigation and these records are being held by certain law enforcement agencies that are conducting an investigation into Greene County, Mississippi's administration of these grants.

**LIMITED INTERNAL CONTROL AND COMPLIANCE
REVIEW MANAGEMENT REPORT**

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Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

*Member
American Institute of
Certified Public Accountants*

*Member
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Certified Public Accountants*

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Greene County, Mississippi

I was engaged to audit the primary government financial statements of Greene County, Mississippi for the year ended September 30, 2006 and to perform limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of State Auditor.

However, I was unable to obtain supporting documentation for Greene County, Mississippi's Public Assistance Grant from the Department of Homeland Security that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs, written representations from management of Greene County, Mississippi as required by generally accepted auditing standards.

Because I was unable to obtain supporting documentation for Greene County, Mississippi's Public Assistance Grant, written representations from management, I was unable to perform additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of State Auditor.

The results of my engagement did identify certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. My findings and recommendations and your responses are disclosed below:

Chancery Clerk

1. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed and delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in prior years', the former Chancery Clerk's Payroll Fund has a negative cash balance of \$29,867. The former Chancery Clerk paid his employees through this fund and is personally responsible to repay the cash deficit in this fund.

Recommendation

The current Chancery Clerk should ensure that no checks are written on a fund when cash is not available. The former Chancery Clerk should repay to the county the deficit cash balance in the amount of \$29,867 reflected in the Chancery Clerk's Payroll fund.

Chancery Clerk's Response

William M. Williams, Chancery Clerk resigned on August 16, 2005 and was not available to provide a response.

2. Finding

Section 9-1-45, Miss. Code Ann. (1972), requires the Chancery Clerk to file a true and accurate annual fee report no later than April 15th of each year. The Chancery Clerk did not provide me all the necessary information to determine if a true and accurate annual fee report was filed.

Recommendation

The Chancery Clerk should maintain the required information in her office to ensure that parties with statutory authority can verify that true and accurate annual reports are filed.

Chancery Clerk's Response

The Chancery Clerk will maintain all required information and provide such to authorized parties.

3. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed and delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same. The current Chancery Clerk's Payroll Fund has a negative cash balance of \$3,230. The Chancery Clerk pays her employees through this fund and is personally responsible to repay the cash deficit in this fund.

Recommendation

The Chancery Clerk should ensure that no checks are written on a fund when cash is not available. The Chancery Clerk should immediately repay to the county the deficit cash balance of \$3,230 reflected in the Chancery Clerk's Payroll Fund.

Chancery Clerk's Response

The Chancery Clerk is currently repaying the deficit and will ensure that no checks are drawn on any account when funds are not available in such account.

Board of Supervisors

4. Finding

As reported in prior years', the county made interfund loans that are still outstanding. These loans were made when the county experienced negative cash flow in several funds. The Mississippi Code is silent regarding the authority of the county to make these loans. Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds.

In the current year, the county made additional interfund loans by using cash from funds with positive cash balances to cover funds with negative cash balances. Some of these loans were made from funds with legally separate levies that are restricted by statute for use in the fund that it was levied for.

Recommendation

For any interfund loan made, the Board of Supervisors should approve and record in the minutes of the board the reason for the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should limit these interfund loans to funds that it has the legal authority to loan from.

The Board of Supervisors should ensure that each of these loans are repaid by approving and recording in the minutes of the board a repayment schedule and then complying with that repayment schedule.

Board of Supervisors' Response

Any future interfund loans will be properly documented and will only be made when necessary and legally permissible. Further, a repayment schedule will be established, approved and recorded in the minutes when an interfund loan is made and said repayment schedule will be strictly complied with.

5. Finding

Section 27-105-305, Miss. Code Ann. (1972), requires the Board of Supervisors to advertise and select county depositories at least every two years. As stated in the prior year, I observed that the Board of Supervisors did not properly advertise for and select qualified depositories.

Recommendation

The Board of Supervisors should immediately fulfill the requirements of state statute in selecting qualified depositories.

Board of Supervisors' Response

The Board of Supervisors will immediately advertise for a qualified county depository. This will be done a minimum of every 24 months. Any depository selected will meet the minimum qualifications and standards as provided by statute and regulations.

6. Finding

As stated in the prior year, Section 19-13-31, Miss. Code Ann. (1972), requires the president or the vice-president in the absence or disability of the president, of the Board of Supervisors to check the claims docket at the close of each day's business and verify the correctness of all docket entries made during the day. He shall sign his name at the end of the docket entries covering the day's business.

Recommendation

All claims dockets should be signed by the president or the vice-president, in his absence, and maintained by the comptroller.

Board of Supervisors' Response

All claims dockets shall be signed by the board president or vice president in his absence as directed by Mississippi law and the Mississippi Attorney General and said dockets will be maintained by the comptroller and presented to the Board at designated meetings.

7. Finding

As stated in the prior year, Section 19-13-31, Miss. Code Ann. (1972), requires the Board of Supervisors at each regular meeting to approve all claims then on file, not previously rejected or allowed in the order that they are entered on the docket. Currently, handwritten checks are issued to pay claims against the county. Many of these checks are not included on a claims docket and approved by the Board of Supervisors prior to payment.

Recommendation

All individual claims should be approved by the Board of Supervisors and included on the claims dockets prior to payment unless otherwise authorized by state statute. The practice of handwritten checks should be eliminated immediately.

Board of Supervisors' Response

All claims will be included on the claims docket and approved by the Board of Supervisors prior to payment unless payments are otherwise authorized by state law. Further, the practice of issuing handwritten checks will cease other than where urgently needed under the circumstances and specifically allowed by state law.

8. 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. 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 for expenditure has been obtained from the Mississippi State Tax Commission.

Board of Supervisors' Response

The one mill special levy funds will not be spent or obligated by the Board of Supervisors prior to the approval of the Mississippi State Tax Commission.

9. Finding

Section 27-39-320, Miss. Code Ann. (1972), requires the Board of Supervisors to levy the amount necessary to produce the revenues received in the next preceding year plus, at the option of the taxing authority, an increase not to exceed ten percent for any levies except those levies that require a certain levy to be made or that requires that a levy not be reduced except by the consent of another government. I observed that the Board of Supervisors exceeded the ten percent increase limitation on certain tax levies.

Recommendation

The Board of Supervisors should limit its tax levies each year to ensure that no more than a ten percent increase is produced in revenues from the next preceding year.

Board of Supervisors' Response

All tax levies will be limited as required by statute.

10. Finding

Section 25-3-41, Miss. Code Ann. (1972) requires meals and lodging to be reimbursed at cost with limitations set by the Department of Finance and Administration. The county currently reimburses meals and lodging using a per diem rate and does not always require the employee to submit the proper documentation as a basis for reimbursement.

Recommendation

The Board of Supervisors should reimburse employees for meals and lodging using actual costs. Employees should be required to provide tickets and receipts for travel expenses are being reimbursed.

Board of Supervisors' Response

A policy requiring receipts or other evidence of actual costs to be provided for reimbursement is currently being drafted and implemented. Further, this policy will provide that reimbursements be limited to the lower of the actual cost or the maximum allowable amount.

11. 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. Currently, the Board of Supervisors only approve a total levy rate and do not include the individual levies in its board order approving the tax levy.

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.

Board of Supervisors' Response

The Board of Supervisors will comply with Section 27-39-317 by specifying the levy for each specific purpose. An unspecified total rate will not longer be utilized.

12. Finding

Section 19-11-11, Miss. Code Ann. (1972) requires the Board of Supervisors, by resolution, to approve and adopt the budget and enter the same at length and in detail in its official minutes. The Board of Supervisors did not include the original or final amended budgets in the minutes of the board.

Recommendation

The Board of Supervisors should include a copy of the original and final amended budgets in its minutes.

Board of Supervisors' Response

The Annual Budget shall be approved and adopted per statute. Same shall be entered and recorded in the official minutes as length and in detail. Any modifications or amendments to said budget shall be approved, adopted and recorded in the same manner.

The Mississippi Office of State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

William M. Williams, Chancery Clerk

Nature of Exception:

See Chancery Clerk's Finding #1 described in this report.

Amount of Exception:

\$29,867

Disposition of Exception:

William M. Williams has been convicted and will be required to repay these funds as a result of the conviction.

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



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
July 20, 2007

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AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Listed below is the status of prior year audit findings.

Finding

05-2. The elected officials refused to respond.

05-3. The elected officials refused to respond.

