

GRENADA COUNTY, MISSISSIPPI

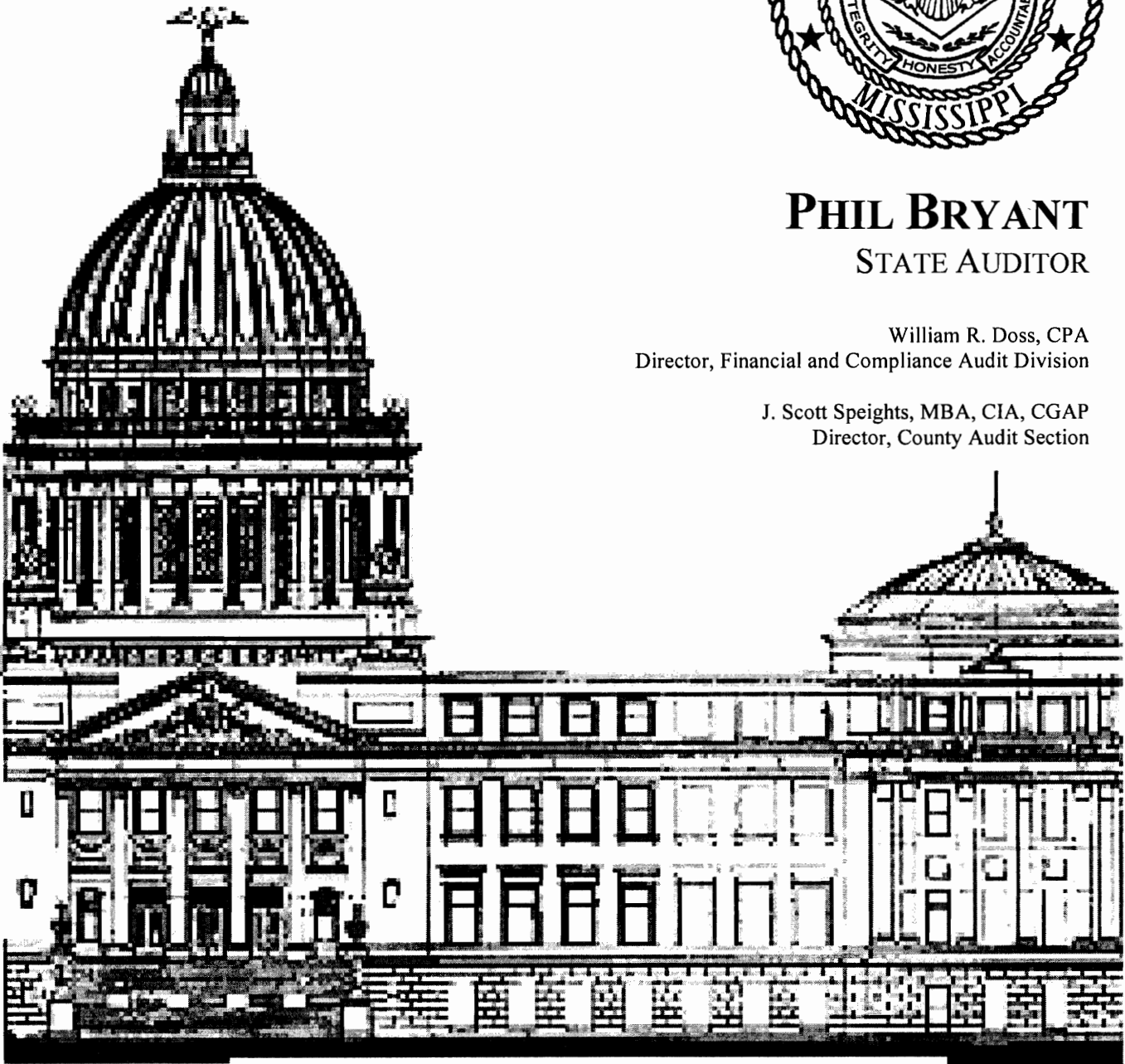
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2006



PHIL BRYANT
STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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A Report from the County Audit Section

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GRENADA COUNTY

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GRENADA COUNTY

FINANCIAL SECTION

GRENADA COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Grenada County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grenada 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Grenada County, Mississippi, as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2007, on our consideration of Grenada County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

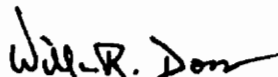
Grenada County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Grenada 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. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

April 27, 2007

GRENADA COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

GRENADA COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 4,977,116
Property tax receivable	7,079,381
Accounts receivable	64,029
Fines receivable (net of allowance for uncollectibles of \$719,481)	161,185
Loans receivable	844,724
Intergovernmental receivables	502,821
Other receivables	11,776
Deferred charge - issuance cost	188,275
Capital assets:	
Land and construction in progress	6,194,335
Other capital assets, net	34,480,533
Total Assets	<u>54,504,175</u>
LIABILITIES	
Claims payable	843,271
Amounts held in custody for others	225,710
Claims and judgments payable	101,995
Intergovernmental payables	256,278
Accrued interest payable	81,163
Deferred revenue	7,079,381
Long-term liabilities	
Due within one year:	
Capital debt	1,115,840
Non-capital debt	533,519
Due in more than one year:	
Capital debt	11,182,926
Non-capital debt	2,066,205
Total Liabilities	<u>23,486,288</u>
NET ASSETS	
Invested in capital assets, net of related debt	28,376,102
Restricted:	
Expendable:	
General government	131,128
Debt service	960,203
Public safety	389,926
Public works	762,634
Health and welfare	143,478
Economic development	850,362
Unrestricted	(595,946)
Total Net Assets	<u>\$ 31,017,887</u>

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

GRENADA COUNTY
Statement of Activities
For the Year Ended September 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,625,406	524,003	214,116		(2,887,287)
Public safety	3,396,958	460,499	84,370		(2,852,089)
Public works	3,654,907	486,386	1,148,985	1,789,265	(230,271)
Health and welfare	449,011		48,041	214,266	(186,704)
Culture and recreation	100,500				(100,500)
Conservation of natural resources	223,752				(223,752)
Economic development and assistance	230,248		52,922		(177,326)
Interest on long-term debt	533,226				(533,226)
Total Governmental Activities	<u>\$ 12,214,008</u>	<u>1,470,888</u>	<u>1,548,434</u>	<u>2,003,531</u>	<u>(7,191,155)</u>
General revenues:					
Property taxes				\$	6,699,310
Road & bridge privilege taxes					262,080
Grants and contributions not restricted to specific programs					1,327,295
Unrestricted interest income					258,491
Miscellaneous					866,024
Total General Revenues					<u>9,413,200</u>
Changes in Net Assets					<u>2,222,045</u>
Net Assets - Beginning					26,308,883
Prior period adjustments					2,486,959
Net Assets - Beginning, as restated					<u>28,795,842</u>
Net Assets - Ending				\$	<u>31,017,887</u>

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

GRENADA COUNTY
Balance Sheet - Governmental Funds
September 30, 2006

Exhibit 3

	Major Funds				
	General Fund	County Office Building Construction Fund	Engineer Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 2,411,182	265,611	28,147	2,272,176	4,977,116
Property tax receivable	4,464,966			2,614,415	7,079,381
Accounts receivable				64,029	64,029
Fines receivable (net of allowance for uncollectibles of \$719,481)	161,185				161,185
Loans receivable				844,724	844,724
Intergovernmental receivables	210,404			292,417	502,821
Other receivables	11,776				11,776
Due from other funds	89,250			61,765	151,015
Total Assets	<u>\$ 7,348,763</u>	<u>265,611</u>	<u>28,147</u>	<u>6,149,526</u>	<u>13,792,047</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 261,213	122,133	18,597	441,328	843,271
Claims and judgments payable	101,995				101,995
Intergovernmental payables	229,336			26,942	256,278
Due to other funds	61,765			89,250	151,015
Amounts held in custody for others	225,710				225,710
Deferred revenue	4,626,151			2,678,444	7,304,595
Total Liabilities	<u>5,506,170</u>	<u>122,133</u>	<u>18,597</u>	<u>3,235,964</u>	<u>8,882,864</u>
Fund balances:					
Reserved for:					
Debt service				853,091	853,091
Loans receivable				844,724	844,724
Unreserved - undesignated, reported in:					
General Fund	1,842,593				1,842,593
Special Revenue Funds			9,550	1,215,747	1,225,297
Capital Projects Funds		143,478			143,478
Total Fund Balances	<u>1,842,593</u>	<u>143,478</u>	<u>9,550</u>	<u>2,913,562</u>	<u>4,909,183</u>
Total Liabilities and Fund Balances	<u>\$ 7,348,763</u>	<u>265,611</u>	<u>28,147</u>	<u>6,149,526</u>	<u>13,792,047</u>

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

GRENADA COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,909,183
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$46,184,186.	40,674,868
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	225,214
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(14,898,490)
Amortization of issuance cost on bond issue.	188,275
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(81,163)</u>
Total Net Assets - Governmental Activities	<u>\$ 31,017,887</u>

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

GRENADA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

	Major Funds				
	General Fund	County Office Building Construction Fund	Engineer Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 4,127,068			2,572,242	6,699,310
Road and bridge privilege taxes				262,080	262,080
Licenses, commissions and other revenue	221,232			39,602	260,834
Fines and forfeitures	297,020			6,858	303,878
Intergovernmental revenues	1,015,027	214,266	1,882,443	1,767,524	4,879,260
Charges for services	305,616			591,065	896,681
Interest income	110,619	40,057	662	107,153	258,491
Miscellaneous revenues	12,108	1,000		842,223	855,331
Total Revenues	<u>6,088,690</u>	<u>255,323</u>	<u>1,883,105</u>	<u>6,188,747</u>	<u>14,415,865</u>
EXPENDITURES					
Current:					
General government	3,368,672			388,888	3,757,560
Public safety	2,592,473			608,561	3,201,034
Public works	9,553		1,959,128	3,288,152	5,256,833
Health and welfare	148,039	2,093,426			2,241,465
Culture and recreation	100,500				100,500
Conservation of natural resources	39,288				39,288
Economic development and assistance	184,464			53,212	237,676
Debt service:					
Principal	2,965			1,601,674	1,604,639
Interest	642			735,961	736,603
Total Expenditures	<u>6,446,596</u>	<u>2,093,426</u>	<u>1,959,128</u>	<u>6,676,448</u>	<u>17,175,598</u>
Excess of Revenues over (under) Expenditures	<u>(357,906)</u>	<u>(1,838,103)</u>	<u>(76,023)</u>	<u>(487,701)</u>	<u>(2,759,733)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	65,300			98,757	164,057
Proceeds from sale of capital assets				23,310	23,310
Transfers in				596,789	596,789
Transfers out	(156,505)			(440,284)	(596,789)
Total Other Financing Sources and Uses	<u>(91,205)</u>	<u>0</u>	<u>0</u>	<u>278,572</u>	<u>187,367</u>
Net Changes in Fund Balances	<u>(449,111)</u>	<u>(1,838,103)</u>	<u>(76,023)</u>	<u>(209,129)</u>	<u>(2,572,366)</u>
Fund Balances - Beginning	2,334,068	1,981,581	85,573	3,049,545	7,450,767
Prior period adjustments	(42,364)			73,146	30,782
Fund Balances - Beginning, as restated	<u>2,291,704</u>	<u>1,981,581</u>	<u>85,573</u>	<u>3,122,691</u>	<u>7,481,549</u>
Fund Balances - Ending	<u>\$ 1,842,593</u>	<u>143,478</u>	<u>9,550</u>	<u>2,913,562</u>	<u>4,909,183</u>

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

GRENADA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (2,572,366)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,043,328 exceeded depreciation of \$854,110 in the current period.	3,189,218
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$9,028 and the proceeds from the sale of \$23,310 in the current period.	(32,338)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	14,117
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	30,178
Intergovernmental revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(34,800)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,604,639 exceeded debt proceeds of \$164,057.	1,440,582
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in accrued interest payable.	203,377
The amortization of issuance cost on bond.	<u>(15,923)</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,222,045</u>

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

GRENADA COUNTY
Statement of Fiduciary Net Assets
September 30, 2006

Exhibit 5

	Private-purpose Trust Funds	Agency Funds
ASSETS		
Cash	\$ 90,164	78,659
Other receivables		2,136
Total Assets	90,164	80,795
LIABILITIES		
Amounts held in custody for others		19,265
Intergovernmental payables		61,530
Total Liabilities	0	80,795
NET ASSETS		
Held in trust for:		
Individuals, organizations and other governments	\$ 90,164	0

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

GRENADA COUNTY
Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2006

Exhibit 6

	<u>Private-purpose Trust Funds</u>
ADDITIONS	
Interest income:	
Interest	\$ 239
Total Additions	<u>239</u>
Changes in Net Assets	239
Net Assets - Beginning	<u>89,925</u>
Net Assets - Ending	<u><u>\$ 90,164</u></u>

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

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Elizabeth Jones Library
- Grenada Lake Medical 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.

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.

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (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.

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

The county reports the following major Governmental Funds:

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

County Office Building Construction Fund - This fund is used to account for revenues and expenditures for the construction of county office buildings.

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

Engineer Fund - This fund is used to account for state aid revenues, generally only reimbursements for engineering fees and to account for the state aid revenues and expenditures on projects paid directly to vendors by the state aid road department.

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

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

FIDUCIARY FUND TYPES

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

Private-purpose Trust Funds - These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

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

I. Long-term Liabilities.

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Assets. Bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct errors in capital assets, net of accumulated depreciation	\$ 2,379,962
To record a fund omitted in the prior year	24,679
To correct error in accounts receivable	33,851
To correct error in revenue accruals	<u>48,467</u>
Total prior period adjustments	\$ <u><u>2,486,959</u></u>

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

<u>Explanation</u>	<u>Amount</u>
To record claims and judgments liability omitted in error	\$ (42,364)
To record a fund omitted in the prior year	24,679
To correct error in revenue accruals	<u>48,467</u>
Total prior period adjustments	\$ <u><u>30,782</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$5,145,939, and the bank balance was \$5,440,845. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(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	Other Governmental Funds	\$ 89,250
Other Governmental Funds	General	<u>61,765</u>
Total		\$ <u><u>151,015</u></u>

The amount payable to Other Governmental Funds represents funds needed to meet obligations timely. The Other Governmental Funds receivables represent the tax revenue collected but not settled until October, 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 156,505
Other Governmental Funds	Other Governmental Funds	440,284
Total		<u>\$ 596,789</u>

The transfers from the General Fund were to distribute county escrow funds. Transfers from the Other Governmental Funds were to cover operating expenses and to close out a fund that is no longer in use. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 113,394
Disaster grants - public assistance	8,795
Homeland security grant program	11,773
Emergency watershed protection program	252,397
Reimbursement for housing state prisoners	90,540
Landfill fees	25,922
Total Governmental Activities	<u>\$ 502,821</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Grenada Manufacturing	08/02/2003	3%	08/01/2015	\$ 489,078
Grenada Manufacturing	06/02/2003	3%	06/01/2013	311,095
Grenada Manufacturing	09/01/2003	3%	09/01/2013	44,551
Total				<u>\$ 844,724</u>

GRENADA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 843,435	148,400			991,835
Construction in progress	2,134,261	3,593,078		(524,839)	5,202,500
Total non-depreciable capital assets	<u>2,977,696</u>	<u>3,741,478</u>	<u>0</u>	<u>(524,839)</u>	<u>6,194,335</u>
<u>Depreciable capital assets:</u>					
Infrastructure	50,341,811			6,824,295	57,166,106
Buildings	18,587,900		89,315		18,498,585
Mobile equipment	3,817,232	175,493	74,733	10,082	3,928,074
Furniture and equipment	224,796	7,500	7,900	6,600	230,996
Leased property under capital leases	747,383	118,857		(25,282)	840,958
Total depreciable capital assets	<u>73,719,122</u>	<u>301,850</u>	<u>171,948</u>	<u>6,815,695</u>	<u>80,664,719</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	32,699,114	199,450		3,930,306	36,828,870
Buildings	5,684,815	297,196	71,446	(6,920)	5,903,645
Mobile equipment	2,771,873	236,598	61,054	9,074	2,956,491
Furniture and equipment	192,008	6,363	7,110	1,188	192,449
Leased property under capital leases	210,982	114,503		(22,754)	302,731
Total accumulated depreciation	<u>41,558,792</u>	<u>854,110</u>	<u>139,610</u>	<u>3,910,894</u>	<u>46,184,186</u>
Total depreciable capital assets, net	<u>32,160,330</u>	<u>(552,260)</u>	<u>32,338</u>	<u>2,904,801</u>	<u>34,480,533</u>
Governmental activities capital assets, net	<u>\$ 35,138,026</u>	<u>3,189,218</u>	<u>32,338</u>	<u>2,379,962</u>	<u>40,674,868</u>

* Adjustments are to correct prior year errors, to reclassify completed construction in progress to infrastructure and to reclassify paid out lease purchases to their proper classification.

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 3,254
Public safety	221,488
Public works	442,986
Health and welfare	9,346
Economic Development	<u>177,036</u>
 Total governmental activities depreciation expense	 \$ <u>854,110</u>

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
DHS/county office building	\$ 136,276	04/15/2007
Greensboro Road AGMC-AG 23(002)	53,000	04/30/2007
James Biddy Road AGMC-AG 23(001)	61,000	04/30/2007

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$35,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2005 and 2006:

GRENADA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

	<u>2005</u>	<u>2006</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 106,000	42,364
Plus: Incurred Claims (Including IBNRs)	676,900	933,598
Less: Claims Payments	<u>740,536</u>	<u>873,967</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 42,364</u>	<u>101,995</u>

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$717,554 for the year ended September 30, 2006. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2007	\$ 793,348
2008	740,593
2009	744,907
2010	736,100
2011	689,165
2012 - 2016	2,967,470
2017 - 2021	<u>112,263</u>
Total Minimum Payments Required	<u>\$ 6,783,846</u>

(10) 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>
Mobile equipment	\$ 827,658
Furniture and equipment	<u>13,300</u>
Total	840,958
Less: Accumulated depreciation	<u>302,731</u>
Leased Property Under Capital Leases	<u>\$ 538,227</u>

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2007	\$ 146,294	17,160
2008	150,468	12,160
2009	138,084	7,051
2010	92,129	2,579
2011	23,828	366
Total	<u>\$ 550,803</u>	<u>39,316</u>

(11) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Papermill Road bonds	\$ 50,000	8.25%	10/07
Holmes Community College building bonds	840,000	4.10/4.20%	12/08
Jail refunding bonds 2001B	3,665,000	3.70/4.60%	04/16
Holmes Community College refunding bonds 2001A	915,000	3.70/4.10%	03/11
Heatcraft refunding bonds 2004	4,895,000	3.36/5.46%	12/15
Grenada County public improvement bonds 2005	<u>2,420,000</u>	3.75/5.00%	04/25
Total General Obligation Bonds	<u>\$ 12,785,000</u>		
B. Capital Leases:			
2005 Ford F150 pickup	\$ 15,984	3.25%	12/09
2006 Ford dump truck	37,649	3.99%	08/10
2006 Ford F750 dump truck	37,649	3.99%	08/10
Alamo boom mower	19,113	3.05%	10/09
Tractor with bushhog	31,622	3.41%	05/10
Tractor with bushhog	27,954	3.41%	05/10
Backhoe loader	25,345	3.05%	02/09
2004 Ford F250 truck	14,956	3.04%	01/09
2004 Ford 750 dump truck	16,221	3.04%	07/08
Landfill compactor	132,497	3.04%	07/08
Imagepro scan system	62,335	3.99%	06/11
2006 Ford F750 dump truck	37,649	3.99%	08/10
2006 Ford F250 truck	23,928	3.99%	02/11

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Alamo boom mower AB 202	27,189	4.24%	05/11
2006 Palmer dump trailer	23,826	4.24%	04/11
John Deere 5205 tractor	16,886	4.24%	06/11
Total Capital Leases	\$ <u>550,803</u>		

C. Other Loans:

Heatcraft CAP loan	\$ 342,155	4.00%	10/12
Grenada Manufacturing CAP loan	375,808	4.65%	08/19
Grenada Manufacturing CDBG loan	489,078	3.00%	08/15
Grenada Manufacturing CAP loan	311,095	3.00%	06/13
Grenada Manufacturing CAP loan	44,551	3.00%	09/13
Total Other Loans	\$ <u>1,562,687</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 1,325,000	525,065	178,065	53,381
2008	1,330,000	481,004	175,051	47,342
2009	1,390,000	427,138	181,315	41,079
2010	1,150,000	375,330	187,808	34,583
2011	1,080,000	328,426	194,542	27,850
2012 - 2016	5,100,000	952,124	544,477	60,353
2017 - 2021	710,000	237,662	101,429	7,068
2022 - 2026	700,000	76,805		
Total	\$ <u>12,785,000</u>	<u>3,403,554</u>	<u>1,562,687</u>	<u>271,656</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 7.65% of the latest property assessments.

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments *	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:						
Claims and judgments	\$ 42,364			(42,364)	0	
General obligation bonds	14,050,000		1,265,000		12,785,000	1,325,000
Capital leases	508,501	164,057	121,755		550,803	146,294
Other loans	1,780,571		217,884		1,562,687	178,065
Total	<u>\$ 16,381,436</u>	<u>164,057</u>	<u>1,604,639</u>	<u>(42,364)</u>	<u>14,898,490</u>	<u>1,649,359</u>

* An adjustment was to reclassify claims and judgments from long-term debt to a short-term liability.

(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. As of September 30, 2006, the single audit performed on these federal grants disclosed a material instance of noncompliance, resulting in questioned costs by the auditor in the amount of \$229,500. Any disallowance by the grantor agency could result in a liability of the county, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the county's financial statements.

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

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

Description	Balance at Sept. 30, 2006
Industrial revenue bonds	\$ <u>1,000,000</u>

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

(14) Related Organization.

The Grenada County Board of Supervisors is responsible for appointing a voting majority of the board members of GT&Y Utility District, but the county's accountability for this organization does not exceed beyond making the appointments. The county did not appropriate any funds for the maintenance and support of the district in fiscal year 2006.

(15) Joint Venture.

The county participates in the following joint venture:

Grenada County entered into an interlocal agreement with Claiborne, Holmes, Humphreys and Leflore Counties and the Cities of Itta Bena, Greenwood and Grenada to provide a multi-jurisdictional drug enforcement task force known as North Central Narcotics Task Force. Most of the funding is provided by a federal grant, with the local entities contributing a minimum of 25 percent. Grenada County contributed \$12,721 to the task force in fiscal year 2006.

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Grenada County Board of Supervisors appoints one of the nine members of the board of commissioners. The county did not appropriate for maintenance and support of the authority in fiscal year 2006.

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Grenada County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$35,881 for maintenance and support of the center in fiscal year 2006.

The North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Grenada County Board of Supervisors appoints four of the twenty-eight members of the district board of directors. The county appropriated \$28,000 for maintenance and support of the district in fiscal year 2006.

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Grenada County Board of Supervisors appoints two of the 22 members of the college's board of trustees. The county levied \$313,698 in taxes for maintenance and support of the college in fiscal year 2006.

(17) Defined Benefit Pension Plan.

Plan Description. Grenada 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.

GRENADA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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 was 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 \$328,264, \$292,458 and \$278,648, respectively, equal to the required contributions for each year.

GRENADA COUNTY

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GRENADA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GRENADA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,012,988	4,020,408	4,132,329	111,921
Road and bridge privilege taxes		6,000	6,199	199
Licenses, commissions and other revenue	192,100	186,100	216,640	30,540
Fines and forfeitures	208,480	208,880	283,850	74,970
Special assessments	400			
Intergovernmental revenues	1,144,261	1,132,100	1,168,329	36,229
Charges for services	470,000	470,000	323,656	(146,344)
Interest income	52,200	51,000	104,879	53,879
Miscellaneous revenues	57,900	70,061	86,789	16,728
Total Revenues	<u>6,138,329</u>	<u>6,144,549</u>	<u>6,322,671</u>	<u>178,122</u>
EXPENDITURES				
Current:				
General government	3,237,818	3,212,061	2,991,494	220,567
Public safety	2,465,748	2,691,408	2,565,870	125,538
Public works	16,000	16,000	9,553	6,447
Health and welfare	158,661	158,661	149,234	9,427
Culture and recreation	85,500	100,500	100,500	
Education	15,000			
Conservation of natural resources	75,094	230,094	223,668	6,426
Economic development and assistance	155,000			
Total Expenditures	<u>6,208,821</u>	<u>6,408,724</u>	<u>6,040,319</u>	<u>368,405</u>
Excess of Revenues over (under) Expenditures	<u>(70,492)</u>	<u>(264,175)</u>	<u>282,352</u>	<u>546,527</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		156,505	181,505	25,000
Other financing uses	154,425			
Total Other Financing Sources and Uses	<u>154,425</u>	<u>156,505</u>	<u>181,505</u>	<u>25,000</u>
Net Change in Fund Balance	83,933	(107,670)	463,857	571,527
Fund Balances - Beginning	<u>1,715,043</u>	<u>1,877,579</u>	<u>1,893,350</u>	<u>15,771</u>
Fund Balances - Ending	<u>\$ 1,798,976</u>	<u>1,769,909</u>	<u>2,357,207</u>	<u>587,298</u>

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

GRENADA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Office Building Construction Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 448,125	448,125	443,723	(4,402)
Interest income	4,000	4,000	40,058	36,058
Total Revenues	<u>452,125</u>	<u>452,125</u>	<u>483,781</u>	<u>31,656</u>
EXPENDITURES				
Current:				
Health and welfare	<u>2,800,930</u>	<u>2,480,530</u>	<u>2,152,609</u>	<u>327,921</u>
Total Expenditures	<u>2,800,930</u>	<u>2,480,530</u>	<u>2,152,609</u>	<u>327,921</u>
Excess of Revenues over (under) Expenditures	<u>(2,348,805)</u>	<u>(2,028,405)</u>	<u>(1,668,828)</u>	<u>359,577</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	<u>423,790</u>	<u>423,790</u>		<u>(423,790)</u>
Total Other Financing Sources and Uses	<u>423,790</u>	<u>423,790</u>	<u>0</u>	<u>(423,790)</u>
Net Change in Fund Balance	<u>(1,925,015)</u>	<u>(1,604,615)</u>	<u>(1,668,828)</u>	<u>(64,213)</u>
Fund Balances - Beginning	<u>1,925,015</u>	<u>1,925,015</u>	<u>1,933,440</u>	<u>8,425</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>320,400</u>	<u>264,612</u>	<u>(55,788)</u>

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

GRENADA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Engineer Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 156,863	276,871	216,868	(60,003)
Interest income	100	1,222	662	(560)
Total Revenues	<u>156,963</u>	<u>278,093</u>	<u>217,530</u>	<u>(60,563)</u>
EXPENDITURES				
Current:				
Public works	<u>196,665</u>	<u>247,979</u>	<u>222,321</u>	<u>25,658</u>
Total Expenditures	<u>196,665</u>	<u>247,979</u>	<u>222,321</u>	<u>25,658</u>
Excess of Revenues over (under) Expenditures	<u>(39,702)</u>	<u>30,114</u>	<u>(4,791)</u>	<u>(34,905)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		10,000	5,000	(5,000)
Total Other Financing Sources and Uses	<u>0</u>	<u>10,000</u>	<u>5,000</u>	<u>(5,000)</u>
Net Change in Fund Balance	(39,702)	40,114	209	(39,905)
Fund Balances - Beginning	<u>54,702</u>	<u>54,702</u>	<u>32,938</u>	<u>(21,764)</u>
Fund Balances - Ending	<u>\$ 15,000</u>	<u>94,816</u>	<u>33,147</u>	<u>(61,669)</u>

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

GRENADA COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2006

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>		
		County Office Building Construction	Engineer
	<u>General Fund</u>	<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 463,857	(1,668,828)	209
Increase (Decrease)			
Net adjustments for revenue accruals	(319,716)	(228,458)	1,665,575
Net adjustments for expenditure accruals	<u>(593,252)</u>	<u>59,183</u>	<u>(1,741,807)</u>
GAAP Basis	<u>\$ (449,111)</u>	<u>(1,838,103)</u>	<u>(76,023)</u>

GRENADA COUNTY

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GRENADA COUNTY

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Agriculture - Natural Resources Conservation Service			
Emergency watershed protection program	10.UN	68-4423-6-1667	\$ 229,500
Emergency watershed protection program	10.UN	68-4423-6-1409	100,300
Emergency watershed protection program	10.UN	68-4423-6-1410	<u>13,600</u>
Subtotal			<u>343,400</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program	14.228	1119-02-022-PF-01	214,266
Community development block grants/state's program	14.228	1122-05-022-ED-01	<u>52,922</u>
Subtotal			<u>267,188</u>
Total Expenditures of Major Federal Awards			<u>610,588</u>
OTHER FEDERAL AWARDS			
U.S. Department of Justice - Office of Justice Programs Edward Byrne Memorial justice assistance grant program	16.738	N/A	12,145
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	59,090
U.S. Election Assistance Commission/Passed-through the Mississippi Secretary of State			
Help America Vote Act requirements payments (Note B)	90.401	N/A	140,310
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	1604-DR-MS	8,795

GRENADA COUNTY
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>
U.S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety/Office of Homeland Security			
Homeland security grant program	97.067	04HS022	21,978
Homeland security grant program	97.067	05HS022	9,608
Homeland security grant program	97.067	05LE022	<u>11,773</u>
Subtotal			<u>43,359</u>
Total Expenditures of Other Federal Awards			<u>263,699</u>
Total Expenditures of Federal Awards			<u>\$ 874,287</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Help America Vote Act requirement payments (CFDA #90.401)

Of the federal expenditures presented in this schedule, federal awards totaling \$140,310 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

GRENADA COUNTY

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GRENADA COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2006

Operating Expenditures, Cash Basis:

Salaries	\$ 76,883
Expendable Commodities:	
Gasoline and petroleum products	11,453
Repair parts	20,780
Insurance on equipment	6,422
Supplies	5,552
Contractual	319,423
EPA assessments	<u>1,399</u>

Solid Waste Cash Basis Operating Expenditures 441,912

Full Cost Expenses:

Depreciation on equipment	<u>23,229</u>
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Solid Waste Full Cost Operating Expenses \$ 465,141

GRENADA COUNTY

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GRENADA COUNTY

SPECIAL REPORTS

GRENADA COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Grenada County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grenada 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 our report thereon dated April 27, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grenada County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Grenada County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-1, 06-2, 06-3, 06-4, 06-5 and 06-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-6 to be a material weakness.

Compliance and Other Matters

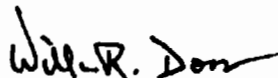
As part of obtaining reasonable assurance about whether Grenada County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which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

However, we noted certain instances of noncompliance which we have reported to the management of Grenada 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 April 27, 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 these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

April 27, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Grenada County, Mississippi

Compliance

We have audited the compliance of Grenada 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. Grenada County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Grenada County, Mississippi's management. Our responsibility is to express an opinion on Grenada County, Mississippi's compliance based on our audit.

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

As described in items 06-7, 06-8 and 06-9, in the accompanying Schedule of Findings and Questioned Costs, Grenada County, Mississippi, did not comply with requirements regarding procurement, suspension and debarment, matching and level of effort, and special tests and provisions that are applicable to its Emergency Watershed Protection Program. Compliance with such requirements is necessary, in our opinion, for Grenada County, Mississippi, to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Grenada County, Mississippi, did not comply in all material respects with the requirements referred to above that are applicable to the Emergency Watershed Protection Program. Also, in our opinion, Grenada County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its Community Development Block Grants/State's Program for the year ended September 30, 2006.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Grenada County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-7, 06-8 and 06-9.

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

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



PHIL BRYANT
State Auditor



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

April 27, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Grenada County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Grenada County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Grenada 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 Grenada County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Board of Supervisors.

1. Finding

During the fiscal year ended September 30, 2006, Section 31-7-13 (b), Miss. Code Ann. (1972), allowed purchases which involve an expenditure of more than \$3,500 but not more than \$15,000, exclusive of freight and shipping charges to be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids were obtained. We noted one instance of the county purchasing signs, in the amount of \$7,820, with no competitive written bids being obtained. Failure to obtain competitive written bids, could result in excess costs to the county.

Recommendation

The Board of Supervisors should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$3,500 and \$15,000, (\$5,000 and \$25,000, effective March 20, 2007) as required by law.

Board of Supervisors' Response

We will comply as prescribed.

2. Finding

During the fiscal year ended September 20, 2006, Section 31-7-13 (c), Miss. Code Ann. (1972), allowed purchases which involved an expenditure of more than \$15,000, exclusive of freight and shipping charges, to be made from the lowest and best bidder after advertising for competitive sealed bids once each week for two consecutive weeks in a regular newspaper published in the county. The county advertised and accepted term bids for road and bridge construction. This road and bridge restriction was imposed by the county. The county utilized a vendor for bank stabilization work in excess of \$15,000 without advertising and soliciting competitive sealed bids. Instead, the county used the vendor accepted for road and bridge construction and in some instances the vendor used was not even the accepted bidder for road and bridge construction. Failure to solicit sealed written bids when required could result in excess costs to the county.

Recommendation

The Board of Supervisors should take steps to ensure that competitive sealed bids are solicited for all purchases in excess of \$15,000, (\$25,000, effective March 20, 2007) as required by law.

Board of Supervisors' Response

The county received competitive bids for road and bridge work as provided by law and viewed bank stabilization and maintenance of proper drainage as a necessary part of maintaining the integrity of the road and bridge work. In the future, competitive bids for such work will be included in the bid solicitation including all such work in excess of \$15,000.

Purchase Clerk.

3. Finding

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

- a. Many purchase documents did not have detailed descriptions or specific amounts noted on the documents. Purchase requisitions that are not completed with sufficient detail indicates that the Purchase Clerk is not ordering the commodities for the county as required. Due to the insufficient information on some purchase requisitions and purchase orders, we could not determine how many miles of roadway were to be repaired or the type of work to be done to the road. We also could not determine the quantity or grade of rip rap ordered by the county in some instances. Failure to properly itemize purchase orders could result in the county paying for items or quantities that the county did not order.
- b. Some purchase documents appeared to be completed after the fact, as evidenced by delivery tickets dated prior to the purchase orders. Failure to prepare purchasing documents prior to the delivery of the commodities indicates that an individual other than the Purchase Clerk is actually placing the order for commodities. This could result in commodities being ordered from a vendor who did not receive the awarded quote or bid or items being ordered that were not needed or used by the county.

Recommendation

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

Purchase Clerk's Response

We will comply as prescribed.

4. Finding

Section 31-7-101, Miss. Code Ann. (1972), requires the Purchase Clerk to disapprove any purchase requisitions which, in his opinion, are not in compliance with the purchasing laws of the state. Section 31-7-13 (c), Miss. Code Ann. (1972), allows purchases which involve an expenditure of more than \$15,000, exclusive of freight and shipping charges, to be made from the lowest and best bidder after advertising for competitive bids once each week for two consecutive weeks in a regular newspaper published in the county. The Purchase Clerk issued a purchase order to a vendor for a bank stabilization project in excess of \$15,000, yet competitive sealed bids were not solicited nor obtained by the Board of Supervisors. Section 31-7-13 (b), Miss. Code Ann. (1972), allows purchases which involve an expenditure of more than \$3,500 but not more than \$15,000, exclusive of freight and shipping charges, to be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. The Purchase Clerk issued a purchase order for \$7,820 to a vendor for road signs with no competitive written bids being obtained. Failure to ensure that all purchasing procedures are complied with prior to the transaction, could result in excess costs to the county.

Recommendation

The Purchase Clerk should ensure that all purchase requirements, including bid and quote requirements, are met prior to ordering a service or commodity, as required by law.

Purchase Clerk's Response

We will comply as prescribed.

Receiving Clerk.

5. Finding

Section 31-7-109, Miss. Code Ann. (1972), states that the Receiving Clerk, or his assistants, shall upon proper delivery of equipment, heavy equipment, machinery, supplies, commodities, materials or services, acknowledge receipt of goods in accordance with the prescribed receipting system. During our examination of the central purchasing system, we noted the following deviations from the prescribed systems:

- a. Some receiving reports did not contain quantities received or give an adequate description of the items received. Due to the insufficient receiving reports, we could not determine how many miles of roadway were repaired or the type of work done to the road in some instances. We also could not determine the quantity or grade of rip rap received by the county in some instances. Failure to properly itemize receiving reports could result in the county paying for items or quantities that the county did not receive.
- b. Some receiving reports appeared to be completed after the fact, as evidenced by delivery tickets dated several days prior to receiving reports. Failure to complete receiving reports at the actual time of the receipt of the item or within three days of receipt of the item, could result in the county paying for items or quantities it does not receive.

Recommendation

The Receiving Clerk should ensure that receiving reports are complete at the time the county takes possession of an item or within three days of receipt of the item. The receiving reports should include a sufficient description and quantity of the items received.

Receiving Clerk's Response

The county will comply with a monthly receiving report and will require all receiving reports to be presented to the purchasing clerk not later than the third day after receipt of the commodities or services.

Inventory Control Clerk.

6. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to establish and maintain an inventory system. An effective system of internal controls over an inventory system should include controls to ensure that all correcting entries to the original cost of an asset are made through an adjustment to capital assets, with retention of supporting records and that all balances are consistent throughout the system. Based on audit procedures performed, we noted the following problems with the capital asset records.

- a. The computer system will allow the user to make adjustments directly to the original cost of an asset without indicating that an adjustment was made to the original cost of the asset.
- b. The original cost of infrastructure was not consistent throughout the system. The original cost per the depreciation file was different from the original cost in the maintenance file by \$5,348,024.

Recommendation

The Inventory Control Clerk should develop controls to ensure that all adjustments to the original cost of an asset can only be made through an adjusting entry and that supporting records for the adjustments are maintained. The Inventory Control Clerk should also implement controls to ensure the consistency of an asset's value throughout the system.

Inventory Control Clerk's Response

The county's software vendor has an error in the depreciation formula for Road & Bridge infrastructure values. We have notified our computer software vendor in order to make proper corrections to the inventory software.


In our opinion, because of the noncompliance referred to in the preceding paragraph, Grenada County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



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

April 27, 2007

GRENADA COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/27/05	2006 Ford Expedition	\$ 23,359	Kirk Auto Co.	\$ 23,064	Cost from loss of time and warranty would be greater than the lower bid.

GRENADA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2006

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
01/03/06	Parts and labor to upgrade AS-400	\$ 6,250	Premise, Inc.	Main frame computer crashed during Christmas holidays causing loss of valuable data.

GRENADA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2006

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
02/23/06	Voting machines	\$ 62,406	Diebold Election Systems
04/29/06	Voting equipment	7,208	MPIC



State of Mississippi

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PHIL BRYANT
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Grenada County, Mississippi

In planning and performing our audit of the financial statements of Grenada County, Mississippi for the year ended September 30, 2006, we considered Grenada County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Grenada County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 27, 2007, on the financial statements of Grenada County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

I. Finding

Section 19-3-67, Miss. Code Ann. (1972), allows members of the Board of Supervisors to be reimbursed for out-of-state travel in performance of their official duties. This section also requires that itemized expense accounts be submitted by the board members. Furthermore, this section requires that expenses authorized under this section, shall be published by the Board of Supervisors in a newspaper of general circulation published in the county. The publication shall be a detailed accounting of the expenses authorized to each member of the board. We noted the following problems concerning travel by the Board of Supervisors:

- a. Some members of the Board of Supervisors did not submit individual itemized expense reports. The county engineer submitted requests for reimbursement of hotel and travel expenses for himself as well as members of the Board of Supervisors and other county employees.
- b. Travel expenses incurred by the Board of Supervisors were not published in any newspaper as required.

Failure to follow proper travel procedures could result in excess travel cost to the county.

Recommendation

The Board of Supervisors should request reimbursement for authorized travel expenditures on itemized expense reports on an individual basis. Also, the Board of Supervisors should ensure that travel expenses for the Board of Supervisors are published in a newspaper of general circulation in the county.

Board of Supervisors' Response

We will comply as prescribed.

2. Finding

Section 31-7-13(c)(i)(3)(iii), Miss. Code Ann. (1972), states that the plans or specifications for construction or equipment being sought shall be filed with the clerk of the board of the governing authority prior to the notice being published or posted. The Board of Supervisors' notice to contractors for yearly bids for road and bridge construction and maintenance states that copies of bid specifications and bid forms can be obtained during normal business hours from the office of the county engineer for a non-refundable cost of \$10.00 each. Specifications for solicited bids and quotes, by the county, are public record and are required to be on file with the clerk of the board. We know of no authority for the Board of Supervisors to authorize a fee for access to public records. Failure to make plans and specifications available to the public as required by law could prevent potential bidders from submitting bids.

Recommendation

The Board of Supervisors should ensure that plans and specifications for construction or equipment are filed with the Chancery Clerk, as required by law, and made available to all potential bidders without imposing a fee.

Board of Supervisors' Response

The county will maintain a copy of the plans and specifications on file in the Office of the Chancery Clerk. However, since copies for the plans and specifications intended for use in bidding are not a public expense item, the county must be reimbursed for copies made and has no capability of making copies of documents larger than 7 1/2" x 14". The County Engineer has, in the past, provided copies of plans and specifications to those requesting these items for an amount less than the actual cost.

3. Finding

Section 19-5-17, Miss. Code Ann. (1972), establishes the authority for the Board of Supervisors to establish, maintain and collect rates, fees and charges for collecting and disposing of such garbage and/or rubbish. Per the Grenada County Board of Supervisors' minute book GGG, page 30, a rate of \$20.00 per ton has been established. Test work indicated a \$3 per ton discount was given to some industries for use of the county rubbish pit. There is no record of approval for this discount in the board minutes. This unauthorized discount resulted in a loss of revenue to the county of approximately \$8,973 for fiscal year 2006.

Recommendation

The Board of Supervisors should ensure that the approved rate is charged to all customers. The Board of Supervisors should approve all rate changes and discounts and record the changes in the Board of Supervisors' minutes.

Board of Supervisors' Response

The county is required to operate the rubbish landfill as a self-supporting service. The county was presented with an opportunity to obtain large volume repeating customers for price less than charged to small volume or individual customers and agreed to a reduced rate for the large volume customers which would have taken their business to others without the reduction. There was no loss of revenue to the county with the reduced rate, whereas there would have been no revenue from these larger customers without a reduced rate. On June 7, 2007, the minutes were entered ratifying this action.

4. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. Interfund transfers (loans) were made without board orders spread on the minutes.

Recommendation

The Board of Supervisors should spread orders on the minutes relative to interfund transfers (loans).

Board of Supervisors' Response

All transfers or interfund loans have always been on the claims docket. The claims docket is then approved by the board of supervisors. In the future, we will itemize all interfund loans and transfers as a separate board order.

Chancery Clerk.

5. Finding

Section 19-13-43, Miss. Code Ann. (1972), requires funds to have cash available before checks are written. Checks were written on the District Attorney Payroll Fund, which did not have a sufficient cash balance.

Recommendation

The Chancery Clerk should ensure that sufficient funds are available prior to issuing checks.

Chancery Clerk's Response

Due to an oversight, the District Attorney was not billed for workmen's compensation on his employee. The District Attorney's office has been billed and payment received for the payroll clearing fund.

Sheriff.

6. Finding

An effective system of internal control should include an adequate separation of duties in the receipting, collecting and recording functions of the Sheriff's Office. Audit observations revealed that there is not an adequate separation of duties in the accounting functions in the Sheriff's Office. One employee has the authority to receive money, make deposits, post the cash journal, reconcile the bank statement, make settlements and sign checks. Failure to have adequate internal controls in place could result in the loss of public funds.

Recommendation

The Sheriff should ensure that accounting functions involving receipting and disbursing of funds, recording transactions and reconciling accounts are performed by different people.

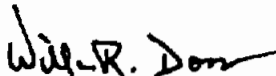
Sheriff's Response

Will comply.

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.



PHIL BRYANT
State Auditor



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

April 27, 2007

GRENADA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GRENADA COUNTY

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GRENADA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | Yes |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | |
| | Emergency watershed protection program, CFDA #10.UN | Adverse |
| | Community development block grants/state's program, CFDA #14.228 | Unqualified |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Emergency watershed protection program, CFDA #10.UN | |
| b. | Community development block grants/state's program, CFDA #14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

GRENADA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

Section 2: Financial Statement Findings

Board of Supervisors.

Reportable Condition

06-1. Finding

An effective system of internal control over the recording of transactions and the collection of rubbish fees should include the use of pre-numbered receipts with an accounting for missing or voided receipts, timely deposits with a proper chain of custody for the collections and monthly settlements with proper supporting records. Based upon audit procedures performed, it appears that adequate control procedures were not in place over the collection and settlement of rubbish fees. The following deficiencies were noted:

- a. There does not appear to be a system in place to account for missing receipts. Pre-numbered receipts are used. However, there is no system to account for the pre-numbered receipts.
- b. There is no system to verify daily collections.
- c. Deposits were not made in a timely manner because collections are not deposited until they are settled to the Chancery Clerk's office. Receipts change hands a minimum of two times before being deposited.
- d. There are no settlement reports and the deposits are not identified by receipt number. Therefore, there does not appear to be a way to verify what receipts make up a specific settlement or deposit.
- e. Both employees at the rubbish pit use the same cash drawer.

Failure to implement adequate internal controls could result in the loss of public funds.

Recommendation

The Board of Supervisors should implement a system of internal controls over rubbish fee collections to ensure that all receipts are properly accounted for, deposits are made in a timely manner, settlement reports are prepared, deposits are identified by receipt numbers and separate cash drawers are used by employees.

Reportable Condition

06-2. Finding

An effective system of internal control over solid waste accounts receivable should ensure that accounts receivable balances are properly aged in order to estimate the collectibility of these accounts receivable. Control procedures were not in place over the aging of solid waste accounts receivable. A detailed aged accounts receivable report for solid waste fees was not prepared. Failure to establish control procedures over aging of solid waste accounts receivable could result in erroneous amounts being reported in the financial statements.

GRENADA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

Recommendation

The Board of Supervisors should ensure that control procedures are in place to allow for the preparation of a detailed aged accounts receivable schedule for solid waste fees to properly report the accounts receivable due to the county at net realizable value in the financial statements.

Chancery Clerk.

Reportable Condition

06-3. Finding

An effective system of internal control over the recording of transactions should include the proper and consistent use of a chart of accounts for the recording of all assets, liabilities, revenues and expenditures to facilitate the preparation of accurate financial statements. The following deficiencies in the recording of transactions were noted:

- a. Some receipts for the same type transactions were recorded under different revenue codes or as reductions of expenditures.
- b. Some receipts and expenditures were recorded in error as an increase to an asset or liability account.

Audit adjustments were proposed and made to the financial statements to correct these errors.

Failure to ensure that transactions of the county are properly and consistently recorded creates difficulty in conducting an audit and could result in inaccurate financial statements.

Recommendation

The Chancery Clerk should ensure that all transactions of the county are properly and consistently recorded in the county's accounting records.

Reportable Condition

06-4. Finding

An effective system of internal control in the payroll function should include controls to ensure that employees' withholdings are properly calculated, withheld and remitted to the proper parties. Based upon our test work, we noted an internal control weakness in the payroll function. One employee did not have the employee's share of retirement taken out of his paycheck. When the error was detected, no effort was made to correct the error. Due to the lack of controls, required withholdings for county employees may not be withheld and remitted to the proper entities.

Recommendation

The Chancery Clerk should implement a system of internal controls that will ensure that proper amounts for employee withholdings are withheld from the employee's pay and then remitted to the proper entities.

GRENADA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

Comptroller.

Reportable Condition

06-5. Finding

An effective system of internal controls over cash disbursements should include controls to ensure that unit costs per vendor invoices are compared to the accepted bids and quotes to ensure that the correct unit cost is paid by the county. We noted no evidence that controls were in place to verify that the correct unit cost was being paid by the county. We noted several instances where the county paid for base repair to roads, but the purchasing documents only specified patching and leveling. We also noted instances in which the county paid the unit cost for 300 pound rip rap, but the job specifications only required 200 pound rip rap.

Failure to implement controls to verify that unit costs billed by vendors agree with accepted quotes and bids could result in the county paying amounts in excess of those authorized.

Recommendation

The Comptroller should implement a system of internal controls to ensure that the correct unit cost is paid for an item. The vendor invoice should be compared to the accepted bid or quote to ensure that the county is paying the correct unit cost.

Inventory Control Clerk.

Reportable Condition - Material Weakness

06-6. Finding

An effective system of internal control over capital assets should include controls to ensure that all changes to the original cost of an asset are made through adjustments with retention of supporting records and that all balances are consistent throughout the system. Based on audit procedures performed, we noted the following problems with the capital asset records:

- a. The computer system will allow the user to make adjustments directly to the original cost of an asset without indicating that an adjustment was made.
- b. The original cost of infrastructure was not consistent throughout the system. The original cost per the depreciation file was different from the original cost in the maintenance file by \$5,348,024.

Audit adjustments were proposed and made to the financial statements to correct these errors.

Recommendation

The Inventory Control Clerk should develop controls to ensure that all adjustments to the original cost of an asset can only be made through an adjusting entry and that supporting records for these adjustments are maintained. The Inventory Control Clerk should also implement controls to ensure the consistency of an asset's value throughout the system.

GRENADA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

06-7. Finding

10.UN Emergency Watershed Protection Program
 Agreement number 68-4423-6-1667
 U.S. Department of Agriculture - Natural Resources Conservation Service

Questioned Costs: \$229,500

*Reportable Condition - Material Weakness
Material Noncompliance*

Compliance Requirement: Procurement, Suspension, and Debarment - Controls Over Procurement, Suspension and Debarment Should Be Strengthened

The Grenada County Project Agreement with the United States Department of Agriculture - Natural Resources Conservation Service (NRCS) requires that the Grenada County Board of Supervisors contract for engineering services, professional services and construction of the emergency watershed protection measures described in Section A in accordance with the *Code of Federal Regulations* Title 7, Section 3016.36, applicable state requirements and the Grenada County Board of Supervisors' procurement regulations.

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

- (a) Sealed bids were solicited and awarded for the construction of the emergency watershed protection measures as required by the project agreement. Instead of advertising and soliciting sealed bids and awarding a firm fixed price contract to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, was the lowest in price, the county utilized a vendor who was awarded the yearly bids for various items for road and bridge construction and maintenance even though the approved project was a bank stabilization project. This vendor submitted an application for payment that gave the impression there was a contract specific to the Gibbs Creek project, when actually no contract was in place. Purchasing documents were submitted that also implied a specific contract had been awarded. These purchasing documents did not give an itemized listing of what items were to be purchased or received. In addition, the amounts billed for rip rap, as certified by the engineer and contractor, were for 300 pound rip rap even though the construction specifications approved by NRCS required 200 pound rip rap. The county paid for the 300 pound rip rap resulting in additional costs of \$46,800.
- (b) Competitive proposals were solicited and awarded for engineering services as required by the project agreement. Instead of soliciting competitive proposals for engineering services, conducting evaluations of the engineers' qualifications and selecting the most qualified engineer, subject to negotiation of fair and reasonable compensation, the county hired the county engineer to perform the engineering services. As a result, the county may have paid an excessive amount for engineering services.

GRENADA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

Recommendation

The Grenada County Board of Supervisors should take steps to ensure that controls are in place to ensure that procurement requirements are fulfilled by:

- (a) Ensuring that contracts are awarded for construction projects after advertising for sealed bids as required by the project agreement.
- (b) Ensuring that contracts for engineering services are awarded after soliciting competitive proposals as required by the project agreement.

06-8. Finding

10.UN Emergency Watershed Protection Program
 Agreement number 68-4423-6-1667
 U.S. Department of Agriculture - Natural Resources Conservation Service

*Reportable Condition - Material Weakness
Material Noncompliance*

Compliance Requirement: Matching, Level of Effort, and Earmarking - Controls Over Matching, Level of Effort, and Earmarking Should Be Strengthened

The Grenada County Project Agreement with the United States Department of Agriculture - Natural Resources Conservation Service requires that the Grenada County Board of Supervisors provide 15 percent (cash) of the cost of constructing the emergency watershed protection measures. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that Grenada County supplied a 15 percent cash contribution as fulfillment of the matching requirement. Instead, we noted that the county used in kind services, which were not allowed by the project agreement, as fulfillment of the matching requirement. As a result, the county did not comply with the 15 percent matching requirement specified in the project agreement.

Recommendation

The Grenada County Board of Supervisors should take steps to ensure that controls are in place to ensure that matching requirements are fulfilled as required by the project agreement.

GRENADA COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2006

06-9. Finding

10.UN Emergency Watershed Protection Program
 Agreement number 68-4423-6-1667
 U.S. Department of Agriculture - Natural Resources Conservation Service

*Reportable Condition - Material Weakness
Material Noncompliance*

Compliance Requirement: Special Tests and Provisions - Controls over Requirements over Contracts for Construction of Emergency Watershed Projects Should Be Strengthened

The Grenada County Project Agreement with the United States Department of Agriculture - Natural Resources Conservation Service requires that the county comply with the special requirements over contracts for construction of emergency watershed protection measures. These special requirements require that the county ensure that:

- a. Equal opportunity clause is included in contracts.
- b. A Certification of Nonsegregated Facilities is submitted prior to the award of a federally assisted construction contract exceeding \$10,000.
- c. Standard federal equal employment opportunity construction contract specifications are included in federally assisted construction contracts in excess of \$10,000.

During our audit testing procedures, we noted no controls were in place to ensure that Grenada County complied with these provisions. The county did not enter into a contract for the construction of the emergency watershed protection measures as required. Therefore, \$189,000 in federal funds was paid to a vendor who utilized labor for equipment operation and other activities without these provisions being met.

Recommendation

The Grenada County Board of Supervisors should take steps to ensure that controls are in place to ensure that equal opportunity hiring practices provisions are included in all construction contracts for emergency watershed projects.

GRENADA COUNTY

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GRENADA COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

GRENADA COUNTY

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C. COLUMBUS HANKINS, PRESIDENT
DISTRICT 3

A.J. MINGA, VICE PRESIDENT
DISTRICT 2

MICHAEL LOTT, MEMBER
DISTRICT 1

CECIL SHELTON, MEMBER
DISTRICT 4

CHAD GRAY, MEMBER
DISTRICT 5

POWELL VANCE, CLERK

JAY GORE III, ATTORNEY



CORRECTION ACTION PLAN
September 27, 2007

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

Gentlemen;

Grenada County respectfully submits the following corrective action plan for the year ending September, 2006.

SECTION 2; FINANCIAL STATEMENT FINDINGS

06-01 Corrective Action Planned:

The Board of Supervisors will implement a system of internal controls to ensure all receipts are properly accounted for, deposits are made on a timely basis, settlement reports are prepared, deposits are identified by receipts numbers and separate cash drawer are used by employees at the landfill.

Anticipated Completion Date:
November 1, 2007

Contact Person:
Michael Lott, Supervisor District One

06-02 Corrective Action Planned:

The Board of Supervisors will take measures to ensure that control procedures are in place for the aged accounts receivable for solid waste fees.

Anticipated Completion Date:
November 1, 2007

Contact Person:
Michael Lott, Supervisor District One

06-03 Corrective Action Planned:

The Chancery Clerk will ensure that all transactions of the county are properly and consistently recorded in the accounting records.

Anticipated Completion Date:

November 1, 2007

Contact Person:

Chancery Clerk , Powell Vance

06-04 Corrective Action Planned:

I have implemented internal controls to ensure that employee withholdings are correctly withheld. I have verified that only one employee's retirement withholding was effected. This transaction was not reported to management by the former payroll clerk. The affected employee's retirement has been corrected.

Anticipated Completion Date:

September 30, 2007

Contact Person

Chancery Clerk, Powell Vance

06-05 Corrective Action Planned:

We have implemented an internal control system to verify that correct unit cost are paid for purchased items.

Anticipated Completion Date:

September 30, 2007

Contact Person:

Chancery Clerk, Powell Vance

06-06 Corrective Action Planned:

The county's software vendor has an error in the depreciation formula for Road & Bridge infrastructure values. We have notified our computer software vendor in order to make proper corrections to the inventory software.

Anticipated Completion Date:

October 1, 2007

Contact Person:

Inventory Clerk, Angla Mullens

06-07 Corrective Action Planned:

The county will follow all federal requirements to the satisfaction of the NRCS or other applicable federal agencies including contracting for engineering and /or professional services. The County is in the process of investigating appropriate measures to ensure that contractors properly identify the work being addressed, and the county is properly reimbursed.

Anticipated Completion Date:

December 31, 2007

Contact Person:

Board Attorney, Jay Gore

06-08 Corrective Action Planned:

The County will ensure that the NRCS requirement for cash contribution is appropriately met to the satisfaction of the NRCS or other appropriate agency.

Anticipated Completion Date:

December 31, 2007

Contact Person:

Board Attorney, Jay Gore

06-09 Corrective Action Planned:

The County has obtained and will require the proper certification of contractor utilizing the Emergency Watershed Protection Program. The documents identified as deficient have been obtained and are now on file.

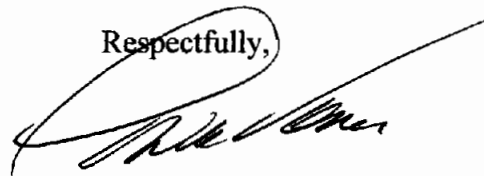
Anticipated Completion Date:

December 31, 2007

Contact Person:

Board Attorney, Jay Gore

Respectfully,

A handwritten signature in black ink, appearing to read 'Powell Vance', is written over a horizontal line.

Powell Vance
Chancery Clerk, Grenada County
662-226-1821