



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

PHIL BRYANT
State Auditor

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

GREENE COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2003**

GREENE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

PRIMARY GOVERNMENT FINANCIAL STATEMENTS 5

 Statement of Net Assets 6

 Statement of Activities 7

 Balance Sheet - Governmental Funds 8

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 9

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 10

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 11

 Statement of Net Assets - Proprietary Funds 12

 Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Funds 13

 Statement of Cash Flows - Proprietary Funds 14

 Statement of Fiduciary Assets and Liabilities 15

 Notes to Financial Statements 16

REQUIRED SUPPLEMENTARY INFORMATION 33

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund 34

 Notes to the Required Supplementary Information 35

SUPPLEMENTAL INFORMATION 37

 Schedule of Expenditures of Federal Awards 39

SPECIAL REPORTS 41

 Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based
 on an Audit of the Primary Government Financial Statements Performed in Accordance with
 Government Auditing Standards 43

 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 45

 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)) 47

 Independent Auditor's Report on Compliance with State Laws and Regulations 53

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 57

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

GREENE COUNTY

FINANCIAL SECTION

GREENE COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Greene County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 county did not maintain adequate subsidiary records documenting the existence, completeness, and valuation of the governmental activities capital assets reported on the Statement of Net Assets at \$10,260,867, as of September 30, 2003. Accordingly, we were unable to satisfy ourselves as to the fair presentation of these capital assets and related transactions of the governmental activities.

The financial statements referred to above include only the primary government of Greene County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Greene County, Mississippi, as of September 30, 2003, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of the matter discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Greene County, Mississippi, as of September 30, 2003, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund and the aggregate remaining fund information of Greene County, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Greene County, Mississippi implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2004, on our consideration of Greene County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

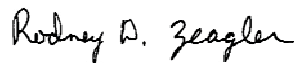
Greene County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes on pages 34 through 36 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Greene County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 7, 2004

GREENE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

GREENE COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 1,172,823	32,735	1,205,558
Property tax receivable	2,768,717		2,768,717
Accounts receivable (net of allowance for uncollectibles of \$19,074)		108,088	108,088
Fines receivable (net of allowance for uncollectibles of \$546,846)	78,604		78,604
Intergovernmental receivables	63,581		63,581
Other receivables	6,113		6,113
Internal balances	12,385	(12,385)	0
Capital assets	10,260,867		10,260,867
Capital assets, net		150,398	150,398
Total Assets	14,363,090	278,836	14,641,926
LIABILITIES			
Claims payable	174,232	20,008	194,240
Tax anticipation notes payable	450,000		450,000
Intergovernmental payables	69,666		69,666
Deferred revenue	2,768,717		2,768,717
Other payables	12,420		12,420
Long-term liabilities			
Due within one year:			
Capital related debt	689,989	33,476	723,465
Non-capital debt	250,000		250,000
Due in more than one year:			
Capital related debt	1,884,493	47,542	1,932,035
Non-capital debt	575,000		575,000
Total Liabilities	6,874,517	101,026	6,975,543
NET ASSETS			
Invested in capital assets, net of related debt	7,686,385	69,380	7,755,765
Restricted:			
Expendable:			
General government	58,067		58,067
Debt service	6,546		6,546
Public safety	105,479		105,479
Public works	838,161		838,161
Economic development	20,816		20,816
Unrestricted	(1,226,881)	108,430	(1,118,451)
Total Net Assets	\$ 7,488,573	177,810	7,666,383

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

GREENE COUNTY
Statement of Activities
For the Year Ended September 30, 2003

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	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,220,968	247,600		235,881	(1,737,487)		(1,737,487)
Public safety	888,140	122,511	237,635	50,000	(477,994)		(477,994)
Public works	1,980,698		731,465	196,918	(1,052,315)		(1,052,315)
Health and welfare	99,595		30,387		(69,208)		(69,208)
Culture and recreation	127,551		25,375		(102,176)		(102,176)
Conservation of natural resources	24,450				(24,450)		(24,450)
Economic development and assistance	352,357		341,157		(11,200)		(11,200)
Interest on long-term debt	252,853				(252,853)		(252,853)
Total Governmental Activities	<u>5,946,612</u>	<u>370,111</u>	<u>1,366,019</u>	<u>482,799</u>	<u>(3,727,683)</u>		<u>(3,727,683)</u>
Business-type activities:							
Solid waste	379,132	427,383				48,251	48,251
Total Business-type Activities	<u>379,132</u>	<u>427,383</u>	<u>0</u>	<u>0</u>		<u>48,251</u>	<u>48,251</u>
Total Primary Government	\$ <u>6,325,744</u>	<u>797,494</u>	<u>1,366,019</u>	<u>482,799</u>	<u>(3,727,683)</u>	<u>48,251</u>	<u>(3,679,432)</u>
General revenues:							
Property taxes					\$ 3,572,745		3,572,745
Road & bridge privilege taxes					112,584		112,584
Grants and contributions not restricted to specific programs					302,647		302,647
Unrestricted investment income					36,453		36,453
Miscellaneous					85,087		85,087
Total General Revenues					<u>4,109,516</u>	0	<u>4,109,516</u>
Changes in Net Assets					<u>381,833</u>	<u>48,251</u>	<u>430,084</u>
Net Assets - Beginning, as restated					<u>7,106,740</u>	<u>129,559</u>	<u>7,236,299</u>
Net Assets - Ending					\$ <u>7,488,573</u>	<u>177,810</u>	<u>7,666,383</u>

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

GREENE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 128,934	1,043,889	1,172,823
Property tax receivable	1,601,476	1,167,241	2,768,717
Fines receivable (net of allowance for uncollectibles of \$546,846)	78,604		78,604
Intergovernmental receivables	53,333	10,248	63,581
Other receivables	4,013		4,013
Due from other funds	4,941	43,147	48,088
Advances to other funds	9,544	8,000	17,544
Total Assets	<u>\$ 1,880,845</u>	<u>2,272,525</u>	<u>4,153,370</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 80,184	94,048	174,232
Tax anticipation notes payable	450,000		450,000
Intergovernmental payables	66,126		66,126
Due to other funds	46,687		46,687
Advances from other funds	8,000		8,000
Deferred revenue	1,680,080	1,167,241	2,847,321
Other payables	12,420		12,420
Total Liabilities	<u>2,343,497</u>	<u>1,261,289</u>	<u>3,604,786</u>
Fund balances:			
Reserved for:			
Debt service		6,546	6,546
Advances		8,000	8,000
Unreserved, reported in:			
General Fund	(462,652)		(462,652)
Special Revenue Funds		996,690	996,690
Total Fund Balances	<u>(462,652)</u>	<u>1,011,236</u>	<u>548,584</u>
Total Liabilities and Fund Balances	<u>\$ 1,880,845</u>	<u>2,272,525</u>	<u>4,153,370</u>

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

GREENE COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2003

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 548,584
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds.	10,260,867
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	78,604
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(3,399,482)</u>
Total Net Assets - Governmental Activities	<u>\$ 7,488,573</u>

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

GREENE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 2,052,219	1,520,526	3,572,745
Road and bridge privilege taxes		112,584	112,584
Licenses, commissions and other revenue	100,372	38,728	139,100
Fines and forfeitures	168,461		168,461
Intergovernmental revenues	191,095	1,960,370	2,151,465
Charges for services	9,380	83,115	92,495
Interest income	36,453		36,453
Miscellaneous revenues	31,731	27,395	59,126
Total Revenues	<u>2,589,711</u>	<u>3,742,718</u>	<u>6,332,429</u>
EXPENDITURES			
Current:			
General government	1,932,580	288,388	2,220,968
Public safety	506,500	381,640	888,140
Public works		1,980,698	1,980,698
Health and welfare	57,449	42,146	99,595
Culture and recreation	40,026	87,525	127,551
Conservation of natural resources	24,450		24,450
Economic development and assistance		352,357	352,357
Debt service:			
Principal	49,828	667,376	717,204
Interest	17,781	235,072	252,853
Total Expenditures	<u>2,628,614</u>	<u>4,035,202</u>	<u>6,663,816</u>
Excess of Revenues over (under) Expenditures	<u>(38,903)</u>	<u>(292,484)</u>	<u>(331,387)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		293,444	293,444
Compensation for loss of capital assets	10,198	15,763	25,961
Transfers in		31,940	31,940
Transfers out	(31,940)		(31,940)
Total Other Financing Sources and Uses	<u>(21,742)</u>	<u>341,147</u>	<u>319,405</u>
Net Changes in Fund Balances	(60,645)	48,663	(11,982)
Fund Balances - Beginning, as restated	<u>(402,007)</u>	<u>962,573</u>	<u>560,566</u>
Fund Balances - Ending	<u>\$ (462,652)</u>	<u>1,011,236</u>	<u>548,584</u>

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

GREENE 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, 2003

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (11,982)
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	(29,945)
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 \$717,204 exceeded debt proceeds of \$293,444.	<u>423,760</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 381,833</u></u>

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

GREENE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2003

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 32,735
Accounts receivable (net of allowance for uncollectibles of \$19,074)	108,088
Total Current Assets	<u>140,823</u>
Noncurrent assets:	
Capital assets, net	150,398
Total Noncurrent Assets	<u>150,398</u>
Total Assets	<u>291,221</u>
LIABILITIES	
Current liabilities:	
Claims payable	20,008
Due to other funds	4,941
Advances from other funds	7,444
Current portion of long-term capital-related debt:	
Capital leases payable	33,476
Total Current Liabilities	<u>65,869</u>
Noncurrent liabilities:	
Capital-related debt:	
Capital leases payable	47,542
Total Noncurrent Liabilities	<u>47,542</u>
NET ASSETS	
Invested in capital assets, net of related debt	69,380
Unrestricted	108,430
Total Net Assets	<u>\$ 177,810</u>

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

GREENE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Fund
 For the Year Ended September 30, 2003

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
	<u> </u>
Operating Revenues	
Charges for services	\$ <u>427,383</u>
Operating Expenses	
Personal services	126,461
Contractual services	100,107
Materials and supplies	79,737
Depreciation expense	59,858
Indirect administrative cost	4,941
Miscellaneous	<u>4,774</u>
Total Operating Expenses	<u>375,878</u>
Operating Income (Loss)	<u>51,505</u>
Nonoperating Revenues (Expenses)	
Interest expense	<u>(3,254)</u>
Changes in Net Assets	48,251
Net Assets - Beginning, as restated	<u>129,559</u>
Net Assets - Ending	<u><u>\$ 177,810</u></u>

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

GREENE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 395,273
Payments to suppliers	(178,501)
Payments to employees	(126,461)
Net Cash Provided (Used) by Operating Activities	<u>90,311</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(65,738)
Interest paid on debt	(3,254)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(68,992)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,319
Cash and Cash Equivalents at Beginning of Year	<u>11,416</u>
Cash and Cash Equivalents at End of Year	<u>\$ 32,735</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>51,505</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	59,858
Provision for uncollectible accounts	4,774
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(32,110)
Increase (decrease) in claims payable	1,343
Increase (decrease) in interfund payables	4,941
Total Adjustments	<u>38,806</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 90,311</u>

Noncash Capital Financing Activity:

Greene County lease purchased mobile equipment for \$55,601 for three years at 3.59% interest. Principal payments of \$8,857 were made on the lease during the year. Greene County lease purchased other furniture and equipment for \$50,484 for three years at 3.7 % interest. Principal payments of \$16,210 were made on the lease during the year.

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

GREENE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 22,069
Due from other funds	3,540
Other receivables	17,745
Total Assets	<u>\$ 43,354</u>
LIABILITIES	
Other accrued liabilities	\$ 7,211
Intergovernmental payables	34,043
Advances from other funds	2,100
Total Liabilities	<u>\$ 43,354</u>

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

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Greene 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 Greene 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 unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Greene Rural Health Center

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

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

B. Basis of Presentation.

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

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 which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds 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.

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

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

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

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

The county reports the following major Governmental Fund:

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

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund accounts for activities related to the disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources 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.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. However, the capital assets amount reported in the governmental activities on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets, records documenting the county's infrastructure, or records documenting depreciation on applicable assets. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Greene County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Current year general infrastructure assets are not reported on the government-wide financial statements.

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

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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 business-type activities. Depreciation is not calculated on governmental activities capital assets in the government-wide statements. Depreciation on business-type activities capital assets is calculated on the straight-line basis. 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.

	Capitalization Thresholds	Estimated Useful Life
Mobile equipment	\$ 5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Long-term liabilities.

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

In the government-wide financial statements and in the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Assets.

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation 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."

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not 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) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Fund:				
General	\$ (402,007)			(402,007)
Other Governmental Funds:				
Special Revenue	956,736			956,736
Debt Service	5,837			5,837
Total Governmental Funds	560,566	0	0	560,566
Governmental Activities:				
Capital assets, net		6,682,232	3,578,635	10,260,867
Long-term liabilities		(3,823,242)		(3,823,242)
Fines receivable			108,549	108,549
Total Governmental Funds and Governmental Activities	\$ 560,566	2,858,990	3,687,184	7,106,740
Proprietary Funds and Business-type Activities				
Solid Waste	\$ 159,609	0	(30,050)	129,559
Account Groups				
General Fixed Assets	\$ 6,682,232	(6,682,232)		0
General Long-term Debt	(3,823,242)	3,823,242		0
Total Account Groups	\$ 2,858,990	(2,858,990)	0	0

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$1,227,627, and the bank balance was \$1,556,803. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste	\$ 4,941
Other Governmental Funds	General	43,147
Agency Funds	General	3,540
Total		\$ 51,628

The General Fund receivable is the amount of indirect costs due to solid waste operations. All other amounts listed are the tax revenue collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Agency Funds	\$ 2,100
General	Solid Waste	7,444
Other Governmental Funds	General	8,000
Total		\$ 17,544

The General Fund receivable of \$2,100 is the payroll for chancery clerk employees. The General Fund receivable of \$7,444 is the amount of indirect costs due to solid waste operations. The remaining \$8,000 receivable represents amount due the Road Fund District One from fiscal year 2001.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 31,940

The principal purpose of interfund transfers was to provide funds for debt service expenditures. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003, consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 53,333
COPS grant	10,248
Total Governmental Activities	\$ 63,581

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

Governmental activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 99,748			17,250	116,998
 <u>Depreciable capital assets:</u>					
Buildings	2,600,114			167,550	2,767,664
Improvements other than buildings	44,430			(26,081)	18,349
Mobile equipment	1,757,735			2,693,234	4,450,969
Furniture and equipment	138,081			497,036	635,117
Leased property under capital leases	2,042,124			229,646	2,271,770
Total depreciable capital assets	6,582,484	0	0	3,561,385	10,143,869
Governmental activities capital assets	\$ 6,682,232			3,578,635	10,260,867

Business-type activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
<u>Depreciable capital assets:</u>					
Buildings	\$ 6,040			(6,040)	
Improvements other than buildings	7,500			(7,500)	
Mobile equipment	9,500			216,960	226,460
Furniture and equipment	13,215			(13,215)	
Leased property under capital leases	226,460	106,085		(226,460)	106,085
Total depreciable capital assets	262,715	106,085	0	(36,255)	332,545

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
<u>Less accumulated depreciation for:</u>					
Mobile equipment	6,205	40,763		116,084	163,052
Leased property under capital leases	122,289	19,095		(122,289)	19,095
Total accumulated depreciation	<u>128,494</u>	<u>59,858</u>	0	<u>(6,205)</u>	<u>182,147</u>
Business-type activities capital assets, net	\$ <u>134,221</u>	<u>46,227</u>	<u>0</u>	<u>(30,050)</u>	<u>150,398</u>

Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	Amount
Business-type activities:	
Solid waste	\$ <u>59,858</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,875,638	55,601
Furniture and equipment	396,132	50,484
Total	2,271,770	106,085
Less: Accumulated depreciation		19,095
Leased Property Under Capital Leases	\$ <u>2,271,770</u>	<u>86,990</u>

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a schedule by years of the total payments due as of September 30, 2003:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 485,877	73,125	33,476	2,420
2005	790,600	34,747	36,258	1,125
2006	329,770	14,359	11,284	136
2007	27,492	3,486		
2008	86,145	2,136		
Total	<u>\$ 1,719,884</u>	<u>127,853</u>	<u>81,018</u>	<u>3,681</u>

(9) Short-term Debt.

The following is a summary of short-term debt activity for the year ended September 30, 2003:

Description of Debt	Balance Oct. 1, 2002	Additions	Reductions	Adjustments	Balance Sept. 30, 2003
Governmental Activities:					
Tax anticipation note	\$	500,000	500,000		0
Tax anticipation note		<u>450,000</u>			<u>450,000</u>
Total	<u>\$ 0</u>	<u>950,000</u>	<u>500,000</u>	<u>0</u>	<u>450,000</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
1986 school bonds	<u>\$ 825,000</u>	6.8 - 7.4	04-06
B. Capital Leases:			
Dump truck - District 1	\$ 29,729	5.73	10-05
E-911 telecommunications tower	184,940	5.08	08-06
E-911 telecommunications tower	21,202	5.73	10-05
Dump truck - District 3	33,445	5.73	10-05
Wheel loader - District 4	82,357	6.08	12-04
Excavator - Districts 1, 3 & 5	80,135	5.09	05-04
Backhoe loader - District 1	53,654	6.08	03-05
Motor grader - Districts 2 & 4	118,791	6.08	12-04
Ford F-150 pickup - District 2	1,937	8.1	11-03

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Backhoe loader - District 5	46,573	6.08	12-04
Ford pickup - District 4	1,892	7.2	12-03
Mack CH613 tractor - District 5	30,879	5.19	07-05
Motor grader - District 5	116,642	5.19	07-04
Wheel loader- District 5	82,357	6.08	12-04
Motor grader - District 5	118,791	6.08	12-04
Rubber tire loader - District 1	17,102	4.39	02-05
Motor grader - District 1	145,026	3.88	09-05
Motor grader - District 3	135,596	3.88	09-06
Motor grader - District 3	135,596	3.88	09-06
Motor grader- District 2	132,199	3.38	08-08
Backhoe- District 2	58,449	3.54	07-08
IBM computer	41,066	3.56	04-06
John Deere tractor	25,763	3.38	12-06
John Deere tractor	<u>25,763</u>	3.38	12-06
Total Capital Leases	<u>\$ 1,719,884</u>		
C. Other Loans:			
General obligation note	\$ 108,882	6.05	05-05
Fire truck loan	46,708	4.65	05-09
Urban renewal new jail financing	205,000	6.8 - 7.5	06-06
Negotiable note	75,655	4.89	07-06
Fire truck loan	301,327	3.0	05-12
Loan	<u>117,026</u>	5.0	05-07
Total Other Loans	<u>\$ 854,598</u>		
Business-type Activities:			
Capital Leases:			
Garbage truck 2004	\$ 46,744	3.59	4-06
Garbage carts & cart flippers	<u>34,274</u>	3.7	9-05
Total Capital Leases	<u>\$ 81,018</u>		

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 250,000	60,800	204,112	47,723
2005	275,000	42,550	216,638	30,451
2006	300,000	22,200	175,136	18,125
2007		43,648	76,111	8,168
2008			44,901	5,045
2009 - 2013			137,700	7,130
Total	\$ <u>825,000</u>	<u>169,198</u>	<u>854,598</u>	<u>116,642</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, 2003, the amount of outstanding debt was equal to 2.9% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2003</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
General obligation bonds	\$ 1,050,000		225,000		825,000	250,000
Capital leases	1,715,037	293,444	288,597		1,719,884	485,877
Other loans	1,058,205		203,607		854,598	204,112
Total	\$ <u>3,823,242</u>	<u>293,444</u>	<u>717,204</u>	<u>0</u>	<u>3,399,482</u>	<u>939,989</u>
Business-type Activities:						
Capital leases	\$ <u>40,671</u>	<u>106,085</u>	<u>65,738</u>	<u>0</u>	<u>81,018</u>	<u>33,476</u>

(11) Deficit Fund Balance of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2003:

<u>Fund</u>	<u>Deficit</u>
	<u>Amount</u>
General Fund	\$ 462,652

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(12) Contingencies.

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

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.

General Obligation Debt Contingencies - The county issues general obligation notes to provide funds for constructing and improving capital facilities of the Greene Rural Health Center. Such debt is being retired from pledged resources of this entity and, therefore, is reported as a liability of this entity. However, because general obligation notes are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

Description	Balance at Sept. 30, 2003
General obligation hospital notes	\$ <u><u>40,000</u></u>

(13) Joint Venture.

The county participates in the following joint venture:

Greene County is a participant with the Counties of Covington, Perry and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth member rotating annually among the counties. By contractual agreement, the county's appropriation to the joint venture was \$33,000 in fiscal year 2003. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Greene County Board of Supervisors appoints one of the nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The county contributed \$19,000 for support of the district in fiscal year 2003.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Greene County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$15,221 for support of the district in fiscal year 2003.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Greene County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$24,000 for support of the entity in fiscal year 2003.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Greene County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$109,983 for maintenance and support of the college in fiscal year 2003.

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

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

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$152,940, \$146,638 and \$139,570, respectively, equal to the required contributions for each year.

(16) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.98% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Greene County during the 2002-2003 fiscal year was \$11,134.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(17) Subsequent Events.

Subsequent to September 30, 2003, Greene County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
01-09-04	2.91	\$ 19,812	Lease purchase	Tax revenue
01-09-04	2.91	19,755	Lease purchase	Tax revenue
01-09-04	2.91	114,340	Lease purchase	Tax revenue
05-03-04	2.91	27,369	Lease purchase	Tax revenue
05-03-04	2.73	500,000	Loan	Tax revenue
06-30-04	3.04	133,620	Lease purchase	Tax revenue

GREENE COUNTY

(This page left blank intentionally)

GREENE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,133,032	2,046,329	2,046,329	
Licenses, commissions and other revenue	59,825	86,103	86,103	
Fines and forfeitures	137,500	165,157	165,157	
Intergovernmental revenues	140,000	171,591	171,591	
Charges for services	3,300	9,380	9,380	
Interest income	50,000	35,798	35,798	
Miscellaneous revenues	102,900	144,235	144,235	
Total Revenues	<u>2,626,557</u>	<u>2,658,593</u>	<u>2,658,593</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,307,709	1,989,364	1,989,364	
Public safety	501,300	531,308	531,308	
Health and welfare	66,450	69,267	69,267	
Culture and recreation	33,000	41,392	41,392	
Conservation of natural resources	24,600	25,080	25,080	
Economic development and assistance	40,000	15,220	15,220	
Debt service:				
Principal	660,000	549,828	549,828	
Interest		17,781	17,781	
Total Expenditures	<u>2,633,059</u>	<u>3,239,240</u>	<u>3,239,240</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(6,502)</u>	<u>(580,647)</u>	<u>(580,647)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		450,000	450,000	
Transfers in		20,000	20,000	
Transfers out		(390,000)	(390,000)	
Other financing sources		500,000	500,000	
Other financing uses		(500)	(500)	
Total Other Financing Sources and Uses	<u>0</u>	<u>579,500</u>	<u>579,500</u>	<u>0</u>
Net Change in Fund Balance	(6,502)	(1,147)	(1,147)	
Fund Balances - Beginning	<u>(1,014,927)</u>	<u>(1,014,927)</u>	<u>(1,014,927)</u>	
Fund Balances - Ending	<u>\$ (1,021,429)</u>	<u>(1,016,074)</u>	<u>(1,016,074)</u>	<u>0</u>

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

GREENE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2003

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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. 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).

GREENE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	<u>Governmental</u> <u>Fund Type</u> General <u>Fund</u>
Budget (Cash Basis)	\$ (1,147)
Increase (Decrease)	
Net adjustments for revenue accruals	1,695,892
Net adjustments for expenditure accruals	<u>(1,755,390)</u>
GAAP Basis	\$ <u><u>(60,645)</u></u>

GREENE COUNTY

SUPPLEMENTAL INFORMATION

GREENE COUNTY

(This page left blank intentionally)

GREENE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M02-SG-280-926	\$ <u>347,357</u>
Total Expenditures of Major Federal Awards			<u>347,357</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1119-02-021-PF-01	41,017
Community development block grants/state's program	14.228	1119-02-021-SH-01	<u>9,750</u>
Total U.S. Department of Housing and Urban Development			<u>50,767</u>
U.S. Department of Agriculture - Rural Housing Service Community facilities and loans and grants	10.766	MS020725-006	23,123
Community facilities and loans and grants	10.766	MS1002-A	<u>51,470</u>
Total U.S. Department of Agriculture			<u>74,593</u>
U.S. Department of Justice - Office of Community Oriented Policing Services Public safety partnership and community policing grants	16.710	2000SHWX0378	<u>42,484</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>1,870</u>
Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Public assistance grants	97.036	FEMA-1436-DR-MS	<u>62,398</u>
Total Expenditures of Other Federal Awards			<u>232,112</u>
Total Expenditures of Federal Awards			<u>\$ <u>579,469</u></u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note - Significant Accounting Policies

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

GREENE COUNTY

(This page left blank intentionally)

GREENE COUNTY

SPECIAL REPORTS

GREENE COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Greene County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 7, 2004. 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 unit. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets. 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.

Compliance

As part of obtaining reasonable assurance about whether Greene County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 Greene County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated September 7, 2004, included within this document.

Internal Control Over Financial Reporting

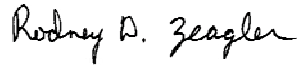
In planning and performing our audit, we considered Greene County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Greene County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 03-1.

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

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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 7, 2004



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
Greene County, Mississippi

Compliance

We have audited the compliance of Greene County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2003. Greene County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Greene County, Mississippi's management. Our responsibility is to express an opinion on Greene 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 Greene 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 Greene County, Mississippi's compliance with those requirements.

In our opinion, Greene County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003.

Internal Control Over Compliance

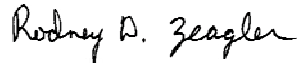
The management of Greene County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Greene County, Mississippi's 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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. We noted no matters involving the internal control over compliance and its operation that we consider 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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 7, 2004



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
Greene County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Greene County, Mississippi, as of and for the year ended September 30, 2003. 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 Greene County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Greene County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any 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:

Inventory Control Clerk.

1. Finding

Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe accounting systems for capital assets. As reported in prior years' audit reports, control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of capital assets. Records were not maintained documenting the depreciation of capital assets. As a result, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

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

Inventory Control Clerk's Response

The Board is now in the process of correcting this matter and policy and statutes will be strictly adhered to.

2. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Inventory Control Clerk to execute a bond for \$75,000. As reported in the prior year's audit report, the Inventory Control Clerk was not bonded.

Recommendation

The Inventory Control Clerk should ensure that the bond is obtained in the proper amount.

Inventory Control Clerk's Response

Henceforth, bonding of the Inventory Control Clerk will be required prior to appointment of the clerk.

Receiving Clerk.

3. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Receiving Clerk to execute a bond for \$75,000. The Receiving Clerk was not bonded.

Recommendation

The Receiving Clerk should ensure that the bond is obtained in the proper amount.

Receiving Clerk's Response

Henceforth, bonding of the Receiving Clerk will be required prior to appointment of the clerk.

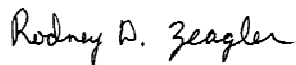
In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Greene County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 7, 2004

GREENE COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2003

Schedule 1

<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>
04-07-03	Motor grader	\$ 134,406	Puckett Machinery	\$ 125,500	The buy back option and a lower monthly payment.
06-06-03	Mack truck	32,500	David-Cook Equipment	14,000	A newer model with less miles.
10-01-02	Garbage carts	46.00/unit	Ultra Carts	39.55/unit	A warranty and immediate delivery.

GREENE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2003

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
02-03-03	IBM Computer	\$ 47,344	Premise, Inc.	Lightning damage

GREENE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
12-10-02	Camper hook-ups	\$ 8,900	Thomas Johnson



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Greene County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 7, 2004. 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 unit. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets. 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

As reported in prior years' audit reports, the county has some interfund loans outstanding. These loans were made when the county experienced negative cash flows in several funds. However, the loans were not repaid. As a result, the county has outstanding interfund loans. The Mississippi Code is silent regarding the authority of the county to make these loans. Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds.

Recommendation

For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure that each of these old loans is repaid by approving and recording in the board minutes a repayment schedule and then complying with the repayment schedule.

Board of Supervisors' Response

The Board will correct this immediately. Henceforth, all pertinent data will be included in the order for the loan together with a repayment schedule. The repayment schedule will be adhered to.

Chancery Clerk.

2. Finding

Section 9-1-45, Miss. Code Ann. (1972), requires the Chancery Clerk to file an annual fee report with the Office of the State Auditor no later than April 15th of each year. As reported in the prior year's audit report, the Chancery Clerk has failed to file an annual fee report timely.

Recommendation

The Chancery Clerk should comply with all requirements in filing the annual fee report.

Chancery Clerk's Response

The report could not be filed on time because the Audit Department had all records.

Auditor's Note

While the Office of the State Auditor did have the Chancery Clerk's original records, copies of the records were returned to the Chancery Clerk so the 2003 annual fee report could be filed. As of the date of this report, the Chancery Clerk has not filed the 2003 annual fee report.

3. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed or delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior year's audit report, certain funds had negative cash balances. In the 2003 fiscal year, the School COPS Grant Fund had a negative cash balance of \$10,248, the CDBG New Welfare Grant Fund had a negative cash balance of \$13,017, and the Chancery Clerk's Payroll Fund had a negative cash balance of \$15,645 at September 30, 2003.

The deficit cash balance in the Chancery Clerk's Payroll Fund had increased to \$29,867 as of August 31, 2004. The Chancery Clerk paid his employees through this fund and is personally responsible to repay the cash deficit in the Chancery Clerk's Payroll Fund.

Recommendation

The Chancery Clerk should ensure that no checks are written on a fund when cash is not available. The Chancery Clerk should repay to the county the deficit cash balance in the amount of \$29,867 reflected in the Chancery Clerk's Payroll Fund at August 31, 2004.

Chancery Clerk's Response

The Clerk will comply as soon as funds are available.

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

Exception Issued On:

William M. Williams, Chancery Clerk

Nature of Exception:

See Chancery Clerk's Finding #3 described in this report.

Amount of Exception:

\$29,867

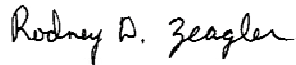
Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

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



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 7, 2004

GREENE COUNTY

(This page left blank intentionally)

GREENE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GREENE COUNTY

(This page left blank intentionally)

GREENE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Adverse |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for the major federal program: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 6. | Any audit finding reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | HOME investment partnerships program, CFDA #14.239 | |
| 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 finding 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 |

GREENE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

As reported in prior years' audit reports, control procedures were inadequate for maintaining an adequate inventory or adequate subsidiary records documenting the existence, valuation and completeness of capital assets. Records were not maintained documenting the depreciation of capital assets. As a result, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

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

Board of Supervisors' Response

The Board is now in the process of correcting this matter and policy and statutes will be strictly adhered to.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.