



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

PHIL BRYANT
State Auditor

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

J. SCOTT SPEIGHTS, MBA, CIA, CGAP
Director, County Audit Section

GREENE COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

GREENE COUNTY

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GREENE COUNTY

FINANCIAL SECTION

GREENE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
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, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets reported on the Statement of Net Assets at \$10,398,790, as of September 30, 2004. Also, management has not maintained depreciation schedules or reported depreciation expense on these governmental activities' capital assets. Accounting principles generally accepted in the United States of America require that those governmental activities' capital assets be depreciated which would decrease the assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable. 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, 2004, 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, 2004, and the changes in financial position thereof for the year ended.

In addition, in our opinion, the 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 for the primary government of Greene County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise 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



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

April 4, 2005

GREENE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

GREENE COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 1,298,486	32,842	1,331,328
Property tax receivable	2,797,561		2,797,561
Accounts receivable (net of allowance for uncollectibles of \$63,517)		45,815	45,815
Fines receivable (net of allowance for uncollectibles of \$516,119)	144,766		144,766
Intergovernmental receivables	70,534		70,534
Other receivables	5,987		5,987
Internal balances	(57,814)	57,814	
Capital assets	10,398,790		10,398,790
Capital assets, net		90,541	90,541
Total Assets	<u>14,658,310</u>	<u>227,012</u>	<u>14,885,322</u>
LIABILITIES			
Claims payable	265,770	16,036	281,806
Tax anticipation notes payable	500,000		500,000
Intergovernmental payables	60,696		60,696
Deferred revenue	2,797,561		2,797,561
Other payables	5,348		5,348
Long-term liabilities			
Due within one year:			
Capital debt	1,070,761	36,258	1,107,019
Non-capital debt	275,000		275,000
Due in more than one year:			
Capital debt	1,216,262	11,285	1,227,547
Non-capital debt	300,000		300,000
Total Liabilities	<u>6,491,398</u>	<u>63,579</u>	<u>6,554,977</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,111,767	42,998	8,154,765
Restricted:			
Expendable:			
General government	112,383		112,383
Debt service	47,864		47,864
Public safety	79,648		79,648
Public works	794,262		794,262
Culture and recreation	2,309		2,309
Economic development	71,693		71,693
Unrestricted	(1,053,014)	120,435	(932,579)
Total Net Assets	<u>\$ 8,166,912</u>	<u>163,433</u>	<u>8,330,345</u>

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

GREENE COUNTY
Statement of Activities
For the Year Ended September 30, 2004

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	\$ 2,148,245	390,606			(1,757,639)		(1,757,639)
Public safety	908,444	118,254	148,182		(642,008)		(642,008)
Public works	2,399,906		733,238	552,496	(1,114,172)		(1,114,172)
Health and welfare	526,929		87,286	409,250	(30,393)		(30,393)
Culture and recreation	143,967	5,513	52,480		(85,974)		(85,974)
Conservation of natural resources	26,995	4,192			(22,803)		(22,803)
Economic development and assistance	25,623				(25,623)		(25,623)
Interest on long-term debt	164,993				(164,993)		(164,993)
Total Governmental Activities	<u>6,345,102</u>	<u>518,565</u>	<u>1,021,186</u>	<u>961,746</u>	<u>(3,843,605)</u>		<u>(3,843,605)</u>
Business-type activities:							
Solid waste	414,656	400,279				(14,377)	(14,377)
Total Business-type Activities	<u>414,656</u>	<u>400,279</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,377)</u>	<u>(14,377)</u>
Total Primary Government	<u>\$ 6,759,758</u>	<u>918,844</u>	<u>1,021,186</u>	<u>961,746</u>	<u>(3,843,605)</u>	<u>(14,377)</u>	<u>(3,857,982)</u>
General revenues:							
Property taxes					\$ 3,772,056		3,772,056
Road & bridge privilege taxes					116,311		116,311
Grants and contributions not restricted to specific programs					317,498		317,498
Unrestricted interest income					29,260		29,260
Miscellaneous					148,896		148,896
Total General Revenues					<u>4,384,021</u>	<u>0</u>	<u>4,384,021</u>
Changes in Net Assets					<u>540,416</u>	<u>(14,377)</u>	<u>526,039</u>
Net Assets - Beginning					7,488,573	177,810	7,666,383
Prior period adjustment					137,923		137,923
Net Assets - Beginning, as restated					<u>7,626,496</u>	<u>177,810</u>	<u>7,804,306</u>
Net Assets - Ending					<u>\$ 8,166,912</u>	<u>163,433</u>	<u>8,330,345</u>

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

GREENE COUNTY
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

	<u>Major Fund</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash	\$ 220,680	1,077,806	1,298,486
Property tax receivable	1,682,393	1,115,168	2,797,561
Fines receivable (net of allowance for uncollectibles of \$516,119)	144,766		144,766
Intergovernmental receivables	50,476	20,058	70,534
Other receivables	3,887		3,887
Due from other funds		158,737	158,737
Advances to other funds	2,100	8,000	10,100
Total Assets	<u>\$ 2,104,302</u>	<u>2,379,769</u>	<u>4,484,071</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 109,328	156,442	265,770
Intergovernmental payables	57,487		57,487
Due to other funds	219,760		219,760
Advances from other funds	8,000		8,000
Tax anticipation notes payable	500,000		500,000
Deferred revenue	1,827,159	1,115,168	2,942,327
Other payables	5,348		5,348
Total Liabilities	<u>2,727,082</u>	<u>1,271,610</u>	<u>3,998,692</u>
Fund balances:			
Reserved for:			
Debt service		47,864	47,864
Advances		8,000	8,000
Unreserved, reported in:			
General Fund	(622,780)		(622,780)
Special Revenue Funds		1,052,295	1,052,295
Total Fund Balances	<u>(622,780)</u>	<u>1,108,159</u>	<u>485,379</u>
Total Liabilities and Fund Balances	<u>\$ 2,104,302</u>	<u>2,379,769</u>	<u>4,484,071</u>

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

GREENE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 485,379
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.	10,398,790
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	144,766
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(2,862,023)</u>
Total Net Assets - Governmental Activities	<u>\$ 8,166,912</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, 2004

	Major Fund		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
REVENUES			
Property taxes	\$ 2,155,495	1,616,561	3,772,056
Road and bridge privilege taxes		116,311	116,311
Licenses, commissions and other revenue	91,282	35,740	127,022
Fines and forfeitures	223,587		223,587
Intergovernmental revenues	188,586	2,117,357	2,305,943
Charges for services	9,334	86,947	96,281
Interest income	29,260		29,260
Miscellaneous revenues	32,372	116,524	148,896
Total Revenues	<u>2,729,916</u>	<u>4,089,440</u>	<u>6,819,356</u>
EXPENDITURES			
Current:			
General government	2,139,212	9,033	2,148,245
Public safety	537,928	370,516	908,444
Public works		2,399,906	2,399,906
Health and welfare	55,363	471,566	526,929
Culture and recreation	38,549	105,418	143,967
Conservation of natural resources	26,995	13,727	40,722
Economic development and assistance	11,896		11,896
Debt service:			0
Principal	52,842	910,147	962,989
Interest	12,756	152,237	164,993
Total Expenditures	<u>2,875,541</u>	<u>4,432,550</u>	<u>7,308,091</u>
Excess of Revenues over (under) Expenditures	<u>(145,625)</u>	<u>(343,110)</u>	<u>(488,735)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		425,530	425,530
Transfers in		74,503	74,503
Transfers out	(14,503)	(60,000)	(74,503)
Total Other Financing Sources and Uses	<u>(14,503)</u>	<u>440,033</u>	<u>425,530</u>
Net Changes in Fund Balances	(160,128)	96,923	(63,205)
Fund Balances - Beginning	<u>(462,652)</u>	<u>1,011,236</u>	<u>548,584</u>
Fund Balances - Ending	<u>\$ (622,780)</u>	<u>1,108,159</u>	<u>485,379</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, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (63,205)
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.	66,162
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 \$962,989 exceeded debt proceeds of \$425,530.	<u>537,459</u>
Change in Net Assets of Governmental Activities	<u>\$ 540,416</u>

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

GREENE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2004

Exhibit 5

		Business-type Activities - Enterprise Fund
		Solid Waste Fund
<hr/>		
ASSETS		
Current assets:		
Cash	\$	32,842
Accounts receivable (net of allowance for uncollectibles of \$63,517)		45,815
Due from other funds		57,814
Total Current Assets		<hr/> 136,471 <hr/>
Noncurrent assets:		
Capital assets, net		<hr/> 90,541 <hr/>
Total Noncurrent Assets		<hr/> 90,541 <hr/>
Total Assets		<hr/> 227,012 <hr/>
 LIABILITIES		
Current liabilities:		
Claims payable		16,036
Capital debt:		
Capital leases payable		<hr/> 36,258 <hr/>
Total Current Liabilities		<hr/> 52,294 <hr/>
Noncurrent liabilities:		
Capital debt:		
Capital leases payable		<hr/> 11,285 <hr/>
Total Noncurrent Liabilities		<hr/> 11,285 <hr/>
 NET ASSETS		
Invested in capital assets, net of related debt		42,998
Unrestricted		<hr/> 120,435 <hr/>
Total Net Assets	\$	<hr/> 163,433 <hr/>

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, 2004

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 354,736
Miscellaneous	<u>1,100</u>
Total Operating Revenues	<u>355,836</u>
Operating Expenses	
Personal services	140,384
Contractual services	76,449
Materials and supplies	84,815
Depreciation expense	59,857
Indirect administrative cost	<u>4,801</u>
Total Operating Expenses	<u>366,306</u>
Operating Income (Loss)	<u>(10,470)</u>
Nonoperating Revenues (Expenses)	
Interest expense	<u>(3,907)</u>
Net Nonoperating Revenue (Expenses)	<u>(3,907)</u>
Changes in Net Assets	(14,377)
Net Assets - Beginning	<u>177,810</u>
Net Assets - Ending	<u>\$ 163,433</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, 2004

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste <u>Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 417,009
Payments to suppliers	(165,236)
Payments to employees	(140,384)
Payments to General Fund for indirect costs	(17,186)
Other operating cash receipts	1,100
Net Cash Provided (Used) by Operating Activities	<u>95,303</u>
Cash Flows From Noncapital Financing Activities	
Cash paid to other funds:	
Loans made to other funds	(57,814)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(57,814)</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(33,475)
Interest paid on debt	(3,907)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(37,382)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	107
Cash and Cash Equivalents at Beginning of Year	<u>32,735</u>
Cash and Cash Equivalents at End of Year	<u>\$ 32,842</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(10,470)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	59,857
Provision for uncollectible accounts	44,443
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	17,830
Increase (decrease) in claims payable	(3,972)
Increase (decrease) in due to other funds	(4,941)
Increase (decrease) in advances from other funds	(7,444)
Total Adjustments	<u>105,773</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 95,303</u>

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

GREENE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 17,918
Due from other funds	3,209
Other receivables	<u>32,249</u>
Total Assets	<u>\$ 53,376</u>
LIABILITIES	
Intergovernmental payables	\$ 51,276
Advances from other funds	<u>2,100</u>
Total Liabilities	<u>\$ 53,376</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, 2004

(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 and 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, 2004

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 connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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 is used to account 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, 2004

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 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. Also, because the county did not maintain adequate records documenting the value of the county's infrastructure, 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, 2004

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.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
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.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct capital assets balance	\$ <u>137,923</u>
Total prior period adjustment	\$ <u><u>137,923</u></u>

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$1,349,246, and the bank balance was \$1,582,884. 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, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 158,737
Solid Waste	General	57,814
Agency Funds	General	<u>3,209</u>
Total		\$ <u><u>219,760</u></u>

The receivables consist of the tax revenue collected but not settled until October, 2004, as well as certain operating loans made to the General Fund from both other governmental funds and the Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency Funds	\$ 2,100
Other Governmental Funds	General	<u>8,000</u>
Total		\$ <u><u>10,100</u></u>

The General Fund Receivable of \$2,100 is the payroll for chancery clerk employees. The \$8,000 receivable represents amounts due the Road Fund District One from fiscal year 2001.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 14,503
Other Governmental Funds	Other Governmental Funds	<u>60,000</u>
Total		\$ <u><u>74,503</u></u>

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

The principal purpose of interfund transfers was to provide funds for the gravel pit fund operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 47,934
Reimbursement for housing prisoners	2,542
State domestic preparedness equipment support program	20,058
Total Governmental Activities	\$ 70,534

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 116,998				116,998
Total non-depreciable capital assets	116,998	0	0	0	116,998
<u>Depreciable capital assets:</u>					
Buildings	2,767,664				2,767,664
Improvements other than buildings	18,349				18,349
Mobile equipment	4,450,969				4,450,969
Furniture and equipment	635,117				635,117
Leased property under capital leases	2,271,770			137,923	2,409,693
Total depreciable capital assets	10,143,869	0	0	137,923	10,281,792
Governmental activities capital assets	\$ 10,260,867	0	0	137,923	10,398,790

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

Business-type activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 226,460				226,460
Leased property under capital leases	106,085				106,085
Total depreciable capital assets	<u>332,545</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>332,545</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	163,052	40,762			203,814
Leased property under capital leases	19,095	19,095			38,190
Total accumulated depreciation	<u>182,147</u>	<u>59,857</u>	<u>0</u>	<u>0</u>	<u>242,004</u>
Business-type activities capital assets, net	\$ <u>150,398</u>	<u>(59,857)</u>	<u>0</u>	<u>0</u>	<u>90,541</u>

* Certain asset balances were corrected in leased property under capital leases included in governmental activities.

Depreciation expense was charged to the following function:

	Amount
Business-type activities:	
Solid waste	\$ <u>59,857</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, fire fighters and road construction personnel and \$400,000 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,013,561	55,601
Furniture and equipment	<u>396,132</u>	<u>50,484</u>
Total	2,409,693	106,085
Less: Accumulated depreciation	<u> </u>	<u>38,190</u>
Leased Property Under Capital Leases	<u>\$ 2,409,693</u>	<u>67,895</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 854,122	45,795	36,258	1,125
2006	480,591	23,283	11,285	135
2007	215,680	7,077		
2008	<u>86,144</u>	<u>2,136</u>		
Total	<u>\$ 1,636,537</u>	<u>78,291</u>	<u>47,543</u>	<u>1,260</u>

(9) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2004:

<u>Description of Debt</u>	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2004</u>
Governmental Activities:					
Tax anticipation note	\$ 450,000		450,000		0
Tax anticipation note	<u> </u>	<u>500,000</u>	<u> </u>	<u> </u>	<u>500,000</u>
Total	<u>\$ 450,000</u>	<u>500,000</u>	<u>450,000</u>	<u>0</u>	<u>500,000</u>

During the month of May, 2004, the county issued \$500,000 of tax anticipation notes in order to alleviate a temporary operating cash flow deficiency.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(10) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
1986 school bonds	\$ <u>575,000</u>	6.80/7.40	04-06
B. Capital Leases:			
Dump truck - District 1	\$ 15,289	5.73	10-05
E-911 telecommunications tower	124,587	5.08	08-06
E-911 telecommunications tower	10,904	5.73	10-05
Dump truck - District 3	17,200	5.73	10-05
Wheel loader - District 4	73,847	6.08	12-04
Backhoe loader - District 1	41,917	6.08	03-05
Motor grader - Districts 2 & 4	111,246	6.08	12-04
Backhoe loader - District 5	36,553	6.08	12-04
Mack CH613 tractor - District 5	14,399	5.19	07-05
Wheel loader - District 5	73,847	6.08	12-04
Motor grader - District 5	111,246	6.08	12-04
Rubber tire loader - District 1	5,141	4.39	02-05
Motor grader - District 1	127,916	3.88	09-05
Motor grader - District 3	121,761	3.88	09-06
Motor grader - District 3	121,761	3.88	09-06
Motor grader - District 2	118,696	3.38	08-08
Backhoe - District 2	47,161	3.54	07-08
IBM computer	25,615	3.56	04-06
John Deere tractor	17,459	3.38	12-06
John Deere tractor	17,459	3.38	12-06
GMC pickup - District 4	16,048	2.91	02-07
GMC pickup - District 2	15,558	2.91	01-07
Ford F550 - District 1	24,445	2.91	05-07
Motor grader - District 5	110,634	3.19	07-06
Wheel loader	105,612	2.91	03-07
Excavator - District 4	<u>130,236</u>	3.04	07-07
Total Capital Leases	\$ <u>1,636,537</u>		

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
General obligation note	\$ 56,040	6.05	05-05
Fire truck loan	39,331	4.65	05-09
Urban renewal new jail financing	140,000	6.80/7.50	06-06
Negotiable note	51,783	4.89	07-06
Fire truck loan	269,375	3.00	05-12
Loan	<u>93,957</u>	5.00	05-07
Total Other Loans	\$ <u><u>650,486</u></u>		
Business-type Activities:			
Capital Leases:			
Garbage truck 2004	\$ 30,089	3.59	4-06
Garbage carts & cart flippers	<u>17,454</u>	3.70	9-05
Total Capital Leases	\$ <u><u>47,543</u></u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2005	\$ 275,000	42,550	216,639	30,450
2006	300,000	22,200	175,135	18,125
2007		43,648	76,112	8,169
2008			44,901	5,045
2009			43,269	3,547
2010 - 2014			<u>94,430</u>	<u>3,583</u>
Total	\$ <u><u>575,000</u></u>	<u><u>108,398</u></u>	<u><u>650,486</u></u>	<u><u>68,919</u></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, 2004, the amount of outstanding debt was equal to 1.22% of the latest property assessments.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 825,000		250,000		575,000	275,000
Capital leases	1,719,884	425,530	508,877		1,636,537	854,122
Other loans	854,598		204,112		650,486	216,639
Total	<u>\$ 3,399,482</u>	<u>425,530</u>	<u>962,989</u>	<u>0</u>	<u>2,862,023</u>	<u>1,345,761</u>
Business-type Activities:						
Capital leases	<u>\$ 81,018</u>	<u>0</u>	<u>33,475</u>	<u>0</u>	<u>47,543</u>	<u>36,258</u>

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2004:

Fund	Deficit Amount
General	\$ 622,780
Homeland security grant #1	2,385
Homeland security grant #2	3,019
CDBG new welfare building	1,239
Multi-purpose building	2,819
Volunteer fire	6,761
Greene County pit operations	2,671

(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.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(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 \$36,300 in fiscal year 2004. 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 \$20,900 for support of the district in fiscal year 2004.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Greene County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$50,908 for support of the district in fiscal year 2004.

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 \$26,400 for support of the entity in fiscal year 2004.

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 \$126,743 for maintenance and support of the college in fiscal year 2004.

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.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(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, 2004, 2003 and 2002 were \$151,161, \$152,940 and \$146,638, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2004, 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>
11-15-04	2.24	\$ 350,000	Loan	Tax revenue
12-14-04	5.15	17,790	Lease purchase	Tax revenue
12-15-04	3.04	157,346	Lease purchase	Tax revenue
12-15-04	3.04	157,346	Lease purchase	Tax revenue
12-15-04	3.11	79,542	Lease purchase	Tax revenue
12-15-04	3.11	103,584	Lease purchase	Tax revenue
12-15-04	3.11	79,542	Lease purchase	Tax revenue
12-15-04	3.11	103,584	Lease purchase	Tax revenue
12-15-04	3.04	79,542	Lease purchase	Tax revenue
01-04-05	2.00	85,000	Loan	Tax revenue

GREENE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY

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GREENE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,187,646	2,187,646	2,163,592	(24,054)
Licenses, commissions and other revenue	66,049	66,049	91,085	25,036
Fines and forfeitures	147,500	147,500	199,559	52,059
Intergovernmental revenues	204,100	204,100	169,052	(35,048)
Charges for services	8,000	8,000	2,600	(5,400)
Interest income	25,000	25,000	29,519	4,519
Miscellaneous revenues	104,500	104,500	341,122	236,622
Total Revenues	<u>2,742,795</u>	<u>2,742,795</u>	<u>2,996,529</u>	<u>253,734</u>
EXPENDITURES				
Current:				
General government	1,543,631	2,105,390	2,163,973	(58,583)
Public safety	460,100	460,100	559,184	(99,084)
Health and welfare	71,095	71,095	77,690	(6,595)
Culture and recreation	48,400	48,400	52,183	(3,783)
Conservation of natural resources	23,410	23,410	26,366	(2,956)
Economic development and assistance	38,000	38,000	11,896	26,104
Debt service:				
Principal	561,759		502,842	(502,842)
Interest			12,756	(12,756)
Total Expenditures	<u>2,746,395</u>	<u>2,746,395</u>	<u>3,406,890</u>	<u>(660,495)</u>
Excess of Revenues over (under) Expenditures	<u>(3,600)</u>	<u>(3,600)</u>	<u>(410,361)</u>	<u>(406,761)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued			500,000	500,000
Proceeds from sale of capital assets			1,165	1,165
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>501,165</u>	<u>501,165</u>
Net Change in Fund Balance	(3,600)	(3,600)	90,804	94,404
Fund Balances - Beginning	<u>(1,014,927)</u>	<u>(1,014,927)</u>	<u>(1,014,927)</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (1,018,527)</u>	<u>(1,018,527)</u>	<u>(924,123)</u>	<u>94,404</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, 2004

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. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental <u>Fund Type</u>
	General <u>Fund</u>
Budget (Cash Basis)	\$ 90,804
Increase (Decrease)	
Net adjustments for revenue accruals	(767,778)
Net adjustments for expenditure accruals	516,846
	<u> </u>
GAAP Basis	\$ <u><u>(160,128)</u></u>

GREENE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2004

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2004:

<u>Fund</u>	<u>Excess</u>
General	\$ 660,495
Computer	8,277
Emergency E-911	62,215
Multipurpose facility	2,755
Volunteer fire	77,183
District 4 road	858
District 4 bridge	4,402

All the funds listed above, are in violation of Section 9-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

E. Unbudgeted Funds.

The following funds were not budgeted for the year ended September 30, 2004:

Special Revenue Funds:

- Homeland Security Grant #1
- Homeland Security Grant #2
- Home Grant
- CDBG New Welfare Building
- Sandhill Recreation Grant
- State Aid Road
- Greene County Pit Operations

The unbudgeted funds are in violation of state law. However, the county has no liability associated with the violation.

GREENE COUNTY

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GREENE COUNTY

SUPPLEMENTAL INFORMATION

GREENE COUNTY

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GREENE COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

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 Community development block grants/state's program	14.228	1119-02-021-PF-01	\$ 409,250
Community development block grants/state's program	14.228	1119-02-021-SH-01	<u>52,480</u>
Total Expenditures of Major Federal Awards			<u>461,730</u>
OTHER 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>8,843</u>
U.S. Department of Justice - Office of Community Oriented Policing Services Public safety partnership and community policing grants	16.710	2000SHWX0378	<u>41,282</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>11,590</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency/ State domestic preparedness equipment support program	97.004	3SUP-37	35,533
State domestic preparedness equipment support program	97.004	3SSG-2013	<u>20,863</u>
Total U.S. Department of Homeland Security			<u>56,396</u>
Total Expenditures of Other Federal Awards			<u>118,111</u>
Total Expenditures of Federal Awards			<u>\$ 579,841</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

GREENE COUNTY

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GREENE COUNTY

SPECIAL REPORTS

GREENE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
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, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated April 4, 2005. 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, valuation and depreciation 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.

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 opinions on the primary government financial statements and not to provide an opinion 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. This reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-1.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greene County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain instance of noncompliance or other matter which we have reported to the management of Greene County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules, dated April 4, 2005, included within this document.

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



PHIL BRYANT
State Auditor



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

April 4, 2005



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, 2004. 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, 2004.

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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



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

April 4, 2005



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, 2004. 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, valuation and depreciation 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 a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Board of Supervisors.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. The Board of Supervisors has not appointed an Inventory Control Clerk. As reported in prior years' audit reports, control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of governmental activities capital assets. Records were not maintained documenting the depreciation of these capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

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

Board of Supervisors' Response

The Greene County Board of Supervisors is presently in the process of selecting someone to fill the position as Inventory Clerk for Greene County. This person will be responsible for learning the inventory program throughout. Adequate control procedures to document the existence, valuation and completeness of capital assets will be established. The maintenance of the records will be kept up-to-date with the documentation of depreciation on all capital assets. It will be the goal of this administration to see to it that inventory fixed assets are brought into compliance by the next audit.

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



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

April 4, 2005

GREENE COUNTY

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2004

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

GREENE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
3-15-04	Contract labor	\$ 5,555	Camco Utilities	Bridge needed immediate repairs.
9-14-04	Contract labor	1,512	J & S Construction	Debris from hurricane had to be removed.
9-24-04	Contract labor	4,800	D&M Construction	Debris from hurricane had to be removed.

GREENE COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

GREENE COUNTY

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GREENE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GREENE COUNTY

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GREENE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | |
| | Governmental activities | Adverse |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Reportable condition identified that is not considered to be a material weakness? | No |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Internal control over major program: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be a material weakness? | No |
| 5. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 6. | Any audit findings disclosed as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | Community development block grants/state's program, CFDA #14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

GREENE COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2004

Section 2: Financial Statement Findings

Board of Supervisors.

04-1. Finding

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

Recommendation

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

Board of Supervisors' Response

The Greene County Board of Supervisors is presently in the process of selecting someone to fill the position as Inventory Clerk for Greene County. This person will be responsible for learning the inventory program throughout. Adequate control procedures to document the existence, valuation and completeness of capital assets will be established. The maintenance of the records will be kept up-to-date with the documentation of depreciation on all capital assets. It will be the goal of this administration to see to it that inventory fixed assets are brought into compliance by the next audit.

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.