





**GREENE COUNTY, MISSISSIPPI**

**UNAUDITED FINANCIAL STATEMENTS AND  
SPECIAL REPORTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**



**GREENE COUNTY, MISSISSIPPI**  
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**FINANCIAL SECTION**

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

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## **INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Greene County, Mississippi

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management.

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

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

I was unable to obtain written representations from management and an attorney's response from the county's legal counsel of Greene County, Mississippi as required by generally accepted auditing standards.

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

In accordance with *Governmental Auditing Standards*, I have also issued my report dated September 16, 2008 on my consideration Greene County, Mississippi's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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



Stephen D. Myrick  
Certified Public Accountant

Quitman, Mississippi  
September 16, 2008

**FINANCIAL STATEMENTS**

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**GREENE COUNTY, MISSISSIPPI**  
**Statement of Net Assets**  
**September 30, 2007**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 2,658,748	\$ 27,823	\$ 2,686,571
Cash with fiscal agent	140,902	-	140,902
Property tax receivable	2,907,110	-	2,907,110
Accounts receivable (net of allowance for uncollectibles of \$124,641)	-	77,398	77,398
Fines receivable (net of allowance for uncollectibles of \$289,612)	117,241	-	117,241
Intergovernmental receivables	69,318	-	69,318
Other receivables	16,323	-	16,323
Internal balances	(47,877)	47,877	-
Capital assets:			
Land and construction in progress	266,998	-	266,998
Other capital assets	10,805,906	-	10,805,906
Other capital assets, net	-	189,229	189,229
Total assets	<u>16,934,669</u>	<u>342,327</u>	<u>17,276,996</u>
<b>LIABILITIES</b>			
Claims payable	121,361	31,372	152,733
Retainage payable	80,054	-	80,054
Intergovernmental payables	117,653	-	117,653
Deferred revenue	2,907,110	-	2,907,110
Other payables	3,647	-	3,647
Long-term liabilities			
Due within one year:			
Capital debt	1,005,640	85,273	1,090,913
Noncapital debt	159,470	-	159,470
Due in more than one year			
Capital debt	1,563,643	138,895	1,702,538
Noncapital debt	1,787,016	-	1,787,016
Total liabilities	<u>7,745,594</u>	<u>255,540</u>	<u>8,001,134</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,503,621	(34,939)	8,468,682
Restricted:			
Expendable:			
General government	100,528	-	100,528
Debt service	228,587	-	228,587
Public safety	317,604	-	317,604
Public works	1,560,272	121,726	1,681,998
Culture and recreation	24,702	-	24,702
Conservation of natural resources	6,125	-	6,125
Economic development	111,695	-	111,695
Unrestricted	(1,664,059)	-	(1,664,059)
Total net assets	<u>\$ 9,189,075</u>	<u>\$ 86,787</u>	<u>\$ 9,275,862</u>

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

GREENE COUNTY, MISSISSIPPI  
Statement of Activities  
For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,475,282	\$ 283,731	\$ 15,401	\$ -	\$ (2,176,150)	\$ -	\$ (2,176,150)
Public safety	1,063,255	119,586	170,445	-	(773,224)	-	(773,224)
Public works	3,375,664	958	2,583,832	14,560	(776,314)	-	(776,314)
Health and welfare	47,939	-	86,727	-	38,788	-	38,788
Culture and recreation	140,079	-	3,775	-	(136,304)	-	(136,304)
Conservation of natural resources	35,017	-	-	-	(35,017)	-	(35,017)
Economic development and assistance	32,116	-	-	-	(32,116)	-	(32,116)
Interest on long-term debt	92,355	-	-	-	(92,355)	-	(92,355)
Total governmental activities	7,261,707	404,275	2,860,180	14,560	(3,982,692)	-	(3,982,692)
Business-type activities:							
Solid waste	543,252	455,499	-	-	-	(87,753)	(87,753)
Total business-type activities	543,252	455,499	-	-	-	(87,753)	(87,753)
Total primary government	\$ 7,804,959	\$ 859,774	\$ 2,860,180	\$ 14,560	(3,982,692)	(87,753)	(4,070,445)
General revenues:							
Property taxes					4,200,812	-	4,200,812
Road & bridge privilege taxes					126,739	-	126,739
Grants and contributions not restricted to specific programs					678,953	-	678,953
Unrestricted interest income					102,908	-	102,908
Insurance loss recoveries					65,681	-	65,681
Miscellaneous					88,107	-	88,107
Gain on sale of capital assets					174,011	-	174,011
Total general revenues					5,437,211	-	5,437,211
Change in net assets					1,454,519	(87,753)	1,366,766
Net assets - beginning					7,705,459	174,540	7,879,999
Prior period adjustment					29,097	-	29,097
Net assets - beginning, as restated					7,734,556	174,540	7,909,096
Net assets - ending					\$ 9,189,075	\$ 86,787	\$ 9,275,862

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

GREENE COUNTY, MISSISSIPPI  
Balance Sheet  
Governmental Funds  
September 30, 2007

	General Fund	District Two Road Fund	District Four Road Fund	District Five Road Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 395,657	\$ 327,532	\$ 454,468	\$ 307,870	\$ 1,173,221	\$ 2,658,748
Cash with fiscal agents	-	-	-	-	140,902	140,902
Property tax receivable	1,805,690	125,247	137,743	125,247	713,183	2,907,110
Fines receivable (net of allowance for for uncollectibles of \$267,546)	117,241	-	-	-	-	117,241
Intergovernmental receivables	61,223	749	749	749	5,848	69,318
Other receivables	2,908	-	-	-	-	2,908
Due from other funds	263,284	13,576	13,576	16,069	63,221	369,726
Advances to other funds	2,100	-	-	-	128,000	130,100
Total assets	\$ 2,648,103	\$ 467,104	\$ 606,536	\$ 449,935	\$ 2,224,375	\$ 6,396,053
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Claims payable	\$ 105,635	\$ 406	\$ 893	\$ 4,846	\$ 9,581	\$ 121,361
Retainage payable	-	19,905	41,835	-	18,317	80,057
Intergovernmental payables	117,653	-	-	-	-	117,653
Due to other funds	91,460	22,690	25,183	22,690	247,911	409,934
Advances from other funds	128,000	-	-	-	-	128,000
Deferred revenue	1,922,931	125,247	137,743	125,247	713,183	3,024,351
Total liabilities	2,365,679	168,248	205,654	152,783	988,992	3,881,356
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	228,587	228,587
Advances	-	-	-	-	128,000	128,000
Unreserved, reported in:						
General fund	282,424	-	-	-	-	282,424
Special revenue funds	-	298,856	400,882	297,152	878,796	1,875,686
Total fund balances	282,424	298,856	400,882	297,152	1,235,383	2,514,697
Total liabilities and fund balances	\$ 2,648,103	\$ 467,104	\$ 606,536	\$ 449,935	\$ 2,224,375	\$ 6,396,053

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

**GREENE COUNTY, MISSISSIPPI**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2007**

Total fund balance, governmental funds (Exhibit 3)	\$ 2,514,697	
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.	11,072,904	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	117,241	
Long-term liabilities are not due and payable in the current-period and, therefore are not reported in the funds.	(4,515,769)	
Rounding	2	
Total net assets - governmental activities (Exhibit 1)	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 9,189,075</td> </tr> </table>	\$ 9,189,075
\$ 9,189,075		

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

**GREENE COUNTY, MISSISSIPPI**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2007**

	General Fund	District Two Road Fund	District Four Road Fund	District Five Road Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 2,693,192	\$ 204,177	\$ 204,040	\$ 204,041	\$ 895,362	\$ 4,200,812
Road and bridge privilege taxes	-	25,667	25,667	25,667	50,696	127,697
Licenses, commissions and other revenue	84,860	-	-	-	4,284	89,144
Fines and forfeitures	220,834	-	-	-	-	220,834
Intergovernmental revenues	284,969	820,898	472,610	1,338,680	623,915	3,541,072
Charges for services	16,120	-	-	-	88,326	104,446
Interest income	81,855	-	-	-	21,053	102,908
Miscellaneous revenues	62,076	155	155	155	38,188	100,729
Total revenues	<u>3,443,906</u>	<u>1,050,897</u>	<u>702,472</u>	<u>1,568,543</u>	<u>1,721,824</u>	<u>8,487,642</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,597,431	-	-	-	27,855	2,625,286
Public Safety	711,685	-	-	-	351,571	1,063,256
Public Works	-	1,078,544	420,300	897,602	1,076,592	3,473,038
Health and welfare	47,939	-	-	-	-	47,939
Culture and recreation	48,446	-	-	-	91,633	140,079
Conservation of natural resources	34,076	-	-	-	941	35,017
Economic development and assistance	27,116	-	-	-	5,000	32,116
Debt Service:						
Principal	10,852	327,607	493,912	302,098	1,786,550	2,921,019
Interest	13,067	15,024	13,410	10,502	181,654	233,657
Bond issue costs	-	-	-	-	24,116	24,116
Total Expenditures	<u>3,490,612</u>	<u>1,421,175</u>	<u>927,622</u>	<u>1,210,202</u>	<u>3,545,912</u>	<u>10,595,523</u>
Excess of revenues over (under) expenditures	<u>(46,706)</u>	<u>(370,278)</u>	<u>(225,150)</u>	<u>358,341</u>	<u>(1,824,088)</u>	<u>(2,107,881)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	150,000	-	-	-	123,470	273,470
Long-term non-capital debt issued	-	-	-	-	1,409,018	1,409,018
Proceeds from sale of capital assets	8,923	12,334	-	5,673	147,081	174,011
Transfers in	8,791	-	-	-	290,055	298,846
Transfers out	-	-	(298,846)	-	-	(298,846)
Insurance loss recoveries	20,678	6,326	1,827	-	36,850	65,681
Total other financing sources and uses	<u>188,392</u>	<u>18,660</u>	<u>(297,019)</u>	<u>5,673</u>	<u>2,006,474</u>	<u>1,922,180</u>
Net change in fund balances	<u>141,686</u>	<u>(351,618)</u>	<u>(522,169)</u>	<u>364,014</u>	<u>182,386</u>	<u>(185,701)</u>
Fund balances - beginning	<u>140,738</u>	<u>650,474</u>	<u>923,051</u>	<u>(66,862)</u>	<u>1,052,997</u>	<u>2,700,398</u>
Fund balances - ending	<u>\$ 282,424</u>	<u>\$ 298,856</u>	<u>\$ 400,882</u>	<u>\$ 297,152</u>	<u>\$ 1,235,383</u>	<u>\$ 2,514,697</u>

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

**GREENE COUNTY, MISSISSIPPI**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2007**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	(185,701)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount of net capital outlays of \$273,470 that exceeded depreciation of \$0 in the current period.		273,470
--	--	---------

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Issue costs of \$23,446, net of current amortization, related to the issuance of debt is expensed in the governmental funds report, but is amortized on the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$2,921,018 exceeded debt proceeds \$1,682,488.		1,261,976
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Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on Statement of Activities using the full-accrual basis of accounting.		(11,108)
--	--	----------

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Interest on long-term debt is recognized under the modified accrual basis of accounting when paid, rather than as it accrues.		139,336
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Bond issue costs of \$25,425, net of current amortization, related to the issuance of debt in a prior that was paid off in the current year. These costs were expensed in the governmental funds report in a prior, but were being amortized on the Statement of Net Assets over the life of the debt.		(25,425)
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Adjustment to capital leases outstanding debt balance.		1,966
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Rounding		5
Change in net assets of governmental activities (Exhibit 2)	\$	<u>1,454,519</u>

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

**GREENE COUNTY, MISSISSIPPI**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2007**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 27,823
Accounts receivable (net of allowance for uncollectibles of \$124,641)	77,398
Due from other funds	47,877
Total current assets	<u>153,098</u>
Noncurrent assets:	
Other capital assets, net	189,229
Total assets	<u>\$ 342,327</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	\$ 31,372
Capital debt:	
Capital leases payable	85,273
Total current liabilities	<u>116,645</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	138,895
Total noncurrent liabilities	<u>138,895</u>
Total liabilities	<u>\$ 255,540</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ (34,939)
Restricted:	
Public works	121,726
Total net assets	<u>\$ 86,787</u>

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

**GREENE COUNTY, MISSISSIPPI**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Year Ended September 30, 2007**

	<b>Business-type            Activities -            Enterprise Fund  <u>Solid Waste Fund</u></b>
<b>Operating revenues</b>	
Charges for services	\$ 455,449
Miscellaneous	50
Total operating revenues	455,499
<b>Operating expenses</b>	
Personal services	203,596
Contractual services	121,509
Materials and supplies	140,663
Depreciation	71,560
Indirect administrative cost	3,764
Total operating expenses	541,092
Operating income	(85,593)
<b>Nonoperating revenues(expenses)</b>	
Interest expense	(2,160)
Net nonoperating revenue(expenses)	(2,160)
Change in net assets	(87,753)
<b>Total net assets - beginning</b>	174,540
<b>Total net assets - ending</b>	\$ 86,787

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

**GREENE COUNTY, MISSISSIPPI**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended September 30, 2007**

	<b>Business-type Activities Enterprise Fund Solid Waste Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 442,073
Payments to suppliers	(236,534)
Payments to employees	(203,596)
Other receipts	50
Net cash provided by operating activities	<u>1,993</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on long-term debt	(20,707)
Interest paid on long-term debt	(2,091)
Net cash provided (used) by capital and related financing activities	<u>(22,798)</u>
Net increase (decrease) in cash and cash equivalents	(20,805)
 Cash and cash equivalents - beginning of year	48,628
Cash and cash equivalents - end of year	<u>\$ 27,823</u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income	\$ (85,593)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	71,560
Provision for uncollectible accounts	39,635
(Increase) decrease in accounts receivable	(53,011)
(Increase) decrease in due from other funds	3,764
Increase (decrease) in claims payable	25,638
Net cash provided by operating activities	<u>\$ 1,993</u>

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

**GREENE COUNTY, MISSISSIPPI**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2007**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash	\$ 1,508,534
Intergovernmental receivables	178,895
Due from other funds	5,069
Other receivables	20,700
Total assets	\$ 1,713,198
 <b>LIABILITIES</b>	
Amounts held in custody for others	\$ 1,613,984
Intergovernmental payables	84,376
Due to other funds	12,738
Advances from other funds	2,100
Total liabilities	\$ 1,713,198

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

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

**A. Financial Reporting Entity.**

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

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

- Greene County Rural Health Center

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

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

**B. Basis of Presentation.**

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

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

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

**C. Measurement Focus and Basis of Accounting.**

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency Funds have no measurement focus, but use the accrual basis of accounting.

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

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

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

The county reports the following major Governmental Funds:

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

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

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

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

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

**PROPRIETARY FUND TYPE**

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

**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.

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

**D. Account Classifications.**

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

**E. Deposits and Investments.**

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally 3 months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

**F. Receivables.**

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

**G. Interfund Transactions and Balances.**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a 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".

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

**H. Capital Assets.**

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

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

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

Capitalization thresholds (dollar value above which asset acquisitions added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is not calculated on governmental activities capital assets in the government-wide financial statements. Depreciation on business-type activities capital assets is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

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

The following schedule details those thresholds and estimated useful lives:

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

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

**I. Long-Term Liabilities.**

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

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

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

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

**J. Equity Classifications.**

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

**K. Property Tax Revenues.**

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

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

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

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

**L. Intergovernmental Revenues in Governmental Funds.**

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

**(2) Prior Period Adjustment**

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct the prior year accrual of interest payable which results in an increase in the beginning net assets	\$ 29,097
Total prior period adjustment	<u>\$ 29,097</u>

**(3) Deposits.**

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$4,195,105, which includes petty cash of \$1,100, and the bank balance was \$3,427,409. 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

(3) **Deposits - Continued.**

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

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

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

The following is a summary of interfund balances at September 30, 2007:

**A. Due From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 199,879
General Fund	District Two Road Fund	17,363
General Fund	District Four Road Fund	17,363
General Fund	District Five Road Fund	17,363
General Fund	Agency Funds	11,316
Other Governmental Funds	General Fund	21,636
Other Governmental Funds	District Two Road Fund	5,327
Other Governmental Funds	District Four Road Fund	5,327
Other Governmental Funds	District Five Road Fund	5,327
Other Governmental Funds	Other Governmental Funds	25,604
District Two Road Fund	General Fund	6,100
District Two Road Fund	Other Governmental Funds	7,476
District Four Road Fund	General Fund	6,100
District Four Road Fund	Other Governmental Funds	7,476
District Five Road Fund	General Fund	6,100
District Five Road Fund	Other Governmental Funds	7,476
District Five Road Fund	District Four Road Fund	2,493
Solid Waste Fund	General Fund	47,877
Agency Funds	General Fund	3,647
Agency Funds	Agency Funds	1,422
Total		<u>\$ 422,672</u>

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

The interfund receivable balance consists of the following items:

- Tax revenue collected but not settled until October, 2007.
- Operating loans made from the General Fund to other governmental funds.
- An operating loan made by the Solid Waste Fund to the General Fund.
- Interfund expenses and revenues charged to the incorrect fund.
- Unauthorized uses of cash from certain Road District Funds by other District Road Funds and Agency Funds.

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

**B. Advances from/to Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 2,100
Other Governmental Funds	General Funds	128,000
Total		<u>\$ 130,100</u>

The General Fund receivable of \$2,100 is the payroll for chancery clerk employees. The Other Governmental Funds receivable represents an \$8,000 receivable due the District One Road Fund from fiscal year 2001, as well as, a \$120,000 transfer made to the General Fund in fiscal year 2004.

**C. Transfers In/Out:**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	District Four Road Fund	\$ 8,791
Other Governmental Funds	District Four Road Fund	290,055
Total		<u>\$ 298,846</u>

The principal purpose of the transfers was to reimburse certain funds for prior year interfund loans that were improper reflected as interfund transfers. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) **Intergovernmental Receivables.**

Intergovernmental receivables at September 30, 2007 consisted of the following:

Description	Amount
Legislative Tag Credit	\$ 61,223
Greene County School District	\$ 8,095
Total	\$ 69,318

(6) **Capital Assets.**

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance 10/1/06	Additions	Deletions	Adjustments	Balance 9/30/07
<u>Non-depreciable capital assets:</u>					
Land	\$ 116,998	\$ 150,000	\$ -	\$ -	\$ 266,998
Total non-depreciable capital assets	116,998	150,000	-	-	266,998
<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	-	-	181,276	4,632,245
Furniture and equipment	635,117	-	-	-	635,117
Leased property under capital leases	2,810,337	123,470	-	(181,276)	2,752,531
Total depreciable capital assets	10,682,436	123,470	-	-	10,805,906
<u>Less accumulated depreciation for:</u>					
Infrastructure	-	-	-	-	-
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Mobile equipment	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Leased property under capital leases	-	-	-	-	-
Total accumulated depreciation	-	-	-	-	-
Total depreciable capital assets, net	10,682,436	123,470	-	-	10,805,906
Governmental activities capital assets, net	\$ 10,799,434	\$ 273,470	\$ -	\$ -	\$ 11,072,904

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

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

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

Business-type activities:

	Balance 10/1/06	Additions	Deletions	Adjustments	Balance 9/30/07
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 276,944	\$ -	\$ -	\$ -	\$ 276,944
Leased property under capital leases	319,706	-	-	-	319,706
Total depreciable capital assets	<u>596,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,650</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	240,162	9,087	-	-	249,249
Leased property under capital leases	95,699	62,473	-	-	158,172
Total accumulated depreciation	<u>335,861</u>	<u>71,560</u>	<u>-</u>	<u>-</u>	<u>407,421</u>
Business-type activities capital assets, net	<u>\$ 260,789</u>	<u>\$ (71,560)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,229</u>

Depreciation expense was charged to the following function:

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

(7) **Claims and Judgments.**

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Worker's Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**(8) Capital Leases.**

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,752,531	\$ 319,706
Total	2,752,531	319,706
Less: Accumulated depreciation	-	158,172
Leased Property Under Capital Leases	<u>\$ 2,752,531</u>	<u>\$ 161,534</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

<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>
2008	\$ 952,559	\$ 113,025	\$ 85,273	\$ 7,989
2009	551,404	38,094	53,163	5,768
2010	248,190	26,054	46,453	3,526
2011	440,423	12,801	39,279	1,747
2012	47,810	1,328	-	-
Total	<u>\$ 2,240,386</u>	<u>\$ 191,302</u>	<u>\$ 224,168</u>	<u>\$ 19,030</u>

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

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

<u>Description of Debt</u>	<u>Balance 10/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 9/30/07</u>
Governmental Activities:					
Tax anticipation note	-	550,000	550,000	-	-
Total	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ -</u>

During the month October 2006, the county issued \$550,000 of tax anticipation notes with an interest rate of 4.71% in order to alleviate a temporary operating cash flow deficiency. These notes have been subsequently paid off.

(10) Long-term Debt.

Debt outstanding as of September 30, 2007, 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. Promissory Note:			
Promissory Note, Series 2007 (Hurricane Katrina Refunding Program)	\$ 1,409,018	5.25	08-10
Total General Obligation Bonds	<u>\$ 1,409,018</u>		
B. Capital Leases:			
Motor grader - District 2	\$ 75,394	3.38	08-08
Backhoe - District 2	11,856	3.54	07-08
Excavator - District 4	92,497	3.04	07-07
Motor grader - District 1	150,929	3.49	11-08
Motor grader - District 2	117,867	3.04	01-08
Motor grader - District 4	117,867	3.04	01-08
Wheel loader - District 4	46,876	3.11	01-09
Wheel loader - District 4	69,358	3.11	01-09
Wheel loader - District 5	47,470	3.11	01-09
Wheel loader - District 5	69,359	3.11	01-09
Wheel loader - District 1	44,035	3.04	01-08
Two Motor graders	305,436	3.59	11-10
Two Ford Crown Victorias	23,408	6.75	12-08
Ten 2007 Mack dump trucks	949,900	4.29	9-11
Wheel loader - District 1	118,134		
Total Capital Leases	<u>\$ 2,240,386</u>		
C. Other Loans:			
Fire truck loan	15,747	4.65	05-09
Fire truck loan	170,499	3.00	05-12
Loan	64,638	2.00	01-15
Loan	182,286	4.95	07-10
Loan	306,642	5.49	08-11
Loan - land	150,000	5.25	06-12
Total Other Loans	<u>889,812</u>		

(10) Long-term Debt - Continued.

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
Capital Leases:			
Garbage truck	\$ 43,804	4.10	03-10
Garbage truck	\$ 180,364	4.36	09-11
Total Capital leases	<u>\$ 224,168</u>		

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

Year Ending September 30	Promissory Note		Other Loans	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ 58,738	\$ 212,551	\$ 40,578
2009	-	61,292	216,514	30,418
2010	1,409,018	61,292	213,602	20,285
2011	-	-	162,622	9,911
2012	-	-	58,828	2,421
2013-2017	-	-	25,695	520
Total	<u>\$ 1,409,018</u>	<u>\$ 181,322</u>	<u>\$ 889,812</u>	<u>\$ 104,133</u>

General obligation bonds will be retired from the Road District Funds. Other loans will be retired from the General Fund, Road District Funds and Volunteer Fire Fund.

Governmental Activities:

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to 2.50% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

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

	Balance 10/1/06	Additions	Reductions	Adjustments	Balance 9/30/07	Amount due within one year
<b>Governmental Activities:</b>						
Promissory notes	\$ 2,445,000	\$ 1,409,018	\$ 2,445,000	\$ -	\$ 1,409,018	\$ -
Capital leases	2,384,801	123,470	266,003	(1,882)	2,240,386	952,559
Other loans	949,911	150,000	210,015	(84)	889,812	212,551
Deferred charges	(25,424)	(24,116)	(26,092)	1	(23,447)	-
<b>Total</b>	<b>\$ 5,754,288</b>	<b>\$ 1,658,372</b>	<b>\$ 2,894,926</b>	<b>\$ (1,965)</b>	<b>\$ 4,515,769</b>	<b>\$ 1,165,110</b>
<b>Business-type Activities:</b>						
Capital leases	\$ 244,806	\$ -	\$ 20,707	\$ 69	\$ 224,168	\$ 85,273

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

The following funds reported deficits in fund balances at September 30, 2007:

Fund	Amount
School Cops Grant	\$ 22,599
Homeland Security Grant #1	2,385
Home Grant 2002	5,000
Sandhill Recreation Grant	474
Volunteer Fire	85,474
Museum Archives & History	25,319
Bridge and Culvert/One	5,545
<b>Total</b>	<b>\$ 146,796</b>

**(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.

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

(12) **Contingencies - Continued.**

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 did not provide the auditor with an attorney's letter as required by auditing standards.

(13) **Joint Venture.**

The county participates in the following joint venture:

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

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

The county participates in the following jointly governed organizations:

**Southeast Mississippi Air Ambulance District** provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Greene County Board of Supervisors appoints one of nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The county contributed \$19,158 for support of the district in fiscal year 2007.

**Southern Mississippi Planning and Development District** operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Greene County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county contributed \$35,688 for support of the district in fiscal year 2007.

**Pine Belt Mental Health Care Resources** operates in a district composed of the counties of Covington, Forest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Greene County Board of Supervisors appoints one of the nine members of the board of commissioners. The county contributed \$19,250 for support of the entity in fiscal year 2007.

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

**Jones County Junior College** operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Clarke County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$109,656 for maintenance and support of the college in fiscal year 2007.

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

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

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

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 is 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2007, 2006, and 2005 were \$194,078 \$190,951, and \$171,516 respectively, equal to the required contributions for each year.

**(16) Related Party Transactions**

Greene County, Mississippi purchased \$286,130 of fuel and repairs parts from Dearman Oil Company, a company owned by the brother of one of the supervisors. Greene County, Mississippi purchased \$29,112 of purchase services to lay asphalt from D & M Construction, a company owned by the brother of one of the supervisors. Greene County, Mississippi purchased \$5,265 of purchase services to assist with repairing a bridge from Curtis J. Hill, a brother of one of the supervisors.

**SUPPLEMENTAL INFORMATION**

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**GREENE COUNTY, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2007**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U. S. Department of Housing and Urban Development Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1604--DR--MS	\$ 2,096,225
Total Expenditures of Major Federal Awards			<u>2,096,225</u>
<b>OTHER FEDERAL AWARDS</b>			
U. S. Department of Agriculture/Passed-through the Mississippi Treasurer's Office - Federal Forest Service Schools and roads grants to states	10.665	N/A	222,076
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	N/A	1,690
U. S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	3SSG-2013	106,683
Total Expenditures of Other Federal Awards			<u>330,449</u>
Total Expenditures of Federal Awards			<u>\$ 2,426,674</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Note A - Significant Accounting Policies

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

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**SPECIAL REPORTS**

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

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

Members of the Board of Supervisors  
Greene County, Mississippi

I was engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for Greene County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued my report thereon dated September 16, 2008. My report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county issues financial statements for the reporting entity that include the financial data for its component units. I do not express an opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information because of scope limitations due to the unavailability of certain supporting documentation for Greene County, Mississippi's Disaster Grants - Public Assistance program from the Department of Homeland Security which is material to the financial statements and that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs and my inability to obtain written representations from management and legal counsel.

### Internal Control Over Financial Reporting

I was engaged to consider Greene County, Mississippi's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 07-1, 07-2, 07-3, 07-4, 07-5 and 07-6 to be material weaknesses.

#### Compliance and Other Matters

For the reasons described in the first paragraph, I was unable to perform tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my engagement disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that is described in the Schedule of Findings and Questioned Costs as item 07-7.

However, I noted certain material instances of noncompliance or other matters which I have reported to the management of Greene County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 16, 2008 included within this document.

Greene County, Mississippi's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Greene County, Mississippi's responses and, accordingly, I express not opinion on them.

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



Stephen D. Myrick  
Certified Public Accountant

Quitman, Mississippi  
September 16, 2008

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

Members of the Board of Supervisors  
Greene County, Mississippi

#### Compliance

I was engaged to audit the compliance of the Greene County, Mississippi with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. 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 the Greene County, Mississippi's management.

Because of the scope limitations due to the unavailability of certain supporting documentation for Greene County, Mississippi's Disaster Grants – Public Assistance program from the Department of Homeland Security which is material to the financial statements and that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs and my inability to obtain representations from management and legal counsel, the scope of my work was not sufficient to enable me to express an opinion and I do not express such an opinion on Greene County, Mississippi's compliance with activities allowed or unallowed, allowable costs/cost principles, eligibility, matching, period of availability, procurement and suspension and debarment, reporting and special tests that are applicable to each of the Greene County, Mississippi's major federal programs for the year ended September 30, 2007.

#### Internal Control Over Compliance

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

I was engaged to consider Greene County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures. For the reasons described in the first paragraph, I was unable to plan and perform tests of Greene County, Mississippi's internal control over compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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



Stephen D. Myrick  
Certified Public Accountant

Quitman, Mississippi  
September 16, 2008

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

Members of the Board of Supervisors  
Greene County, Mississippi

I was engaged to make a study and evaluation of the central purchasing system and inventory control system of Greene County, Mississippi, as of and for the ended September 30, 2007. However, I was unable to obtain supporting documentation for Greene County, Mississippi's Public Assistance Grant from the Department of Homeland Security that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs, written representations from management of Greene County, Mississippi as required by generally accepted auditing standards.

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

Because I was unable to examine supporting documentation for Greene County, Mississippi's Disaster Grants - Public Assistance program from the Department of Homeland Security which was material to the financial statements and that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs and because I was unable to obtain written representations from management and legal counsel of Greene County, Mississippi as required by generally accepted auditing standards, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on Greene County, Mississippi's compliance with state laws governing central purchasing, inventory and bid requirements as of September 30, 2007.

The results of my engagement did, however, disclose instances of noncompliance with the aforementioned code sections. My findings and recommendations and your responses are disclosed below:

## Board of Supervisors

### 1. Finding

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

#### Recommendation

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

#### Board of Supervisors' Response

We are in the process of establishing a better and more accurate system.

### 2. Finding

Sections 31-7-101 to 31-7-127, Miss. Code Ann. (1972), require the county to develop a system of central purchasing that fulfills the requirements for central purchasing established by the Office of State Auditor. As stated in the prior year, I observed the following conditions where the county's system for central purchasing did not comply with requirements for central purchasing as follows:

- Handwritten checks were issued by the comptroller outside of the financial accounting system without proper approval by the Board of Supervisors.
- Supporting documentation such as purchase orders, receiving reports and invoices were not always present.

Without adequate control procedures in place over central purchasing, the risk increases that inaccurate information may be reported and loss or misappropriation of public funds could occur.

#### Recommendation

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

Board of Supervisors' Response

No handwritten checks are issued now.

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

Greene County, Mississippi's responses to the findings included in this report were not audited, and accordingly, I express not opinion on them.

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



Stephen D. Myrick  
Certified Public Accountant

Quitman, Mississippi  
September 16, 2008

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**GREENE COUNTY, MISSISSIPPI**  
**Schedule of Purchases Made Not From the Lowest Bidder**  
**For the Year Ended September 30, 2007**

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other than Lowest Lowest Bid
------	----------------	--------------	--------	------------	---

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

**GREENE COUNTY, MISSISSIPPI**  
**Schedule of Emergency Purchases**  
**For the Year Ended September 30, 2007**

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
10/17/06	Bridge repair on Pat James Road	\$32,244	D & D Construction Curtis J Hill Tri State Pole and Piling Inc.	Weak Bridges

**GREENE COUNTY, MISSISSIPPI**  
**Schedule of Purchases Made Noncompetitively from a Sole Source**  
**For the Year Ended September 30, 2007**

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

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

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

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

Members of the Board of Supervisors  
Greene County, Mississippi

I was engaged to audit the financial statements of Greene County, Mississippi for the year ended September 30, 2007 and to perform limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of State Auditor.

However, I was unable to obtain supporting documentation for Greene County, Mississippi's Disaster Grants – Public Assistance program from the Department of Homeland Security which is material to the financial statements and that was used to reimburse Greene County, Mississippi for Hurricane Katrina related cleanup costs and written representations from management and legal counsel of Greene County, Mississippi as required by generally accepted auditing standards.

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

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

## Chancery Clerk

### 1. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed and delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same. As stated in the prior year, the former chancery clerk, Latricia Cornelson, owes her payroll agency fund a total of \$11,315, which includes a negative cash balance of \$9,892 and an interfund liability of \$1,423. The former chancery clerk pays her employees through this fund and is personally responsible to repay the amounts owed in this fund.

### Recommendation

The former chancery clerk should ensure that no checks are written on a fund when cash is not available. The former chancery clerk should immediately repay to the county the amounts owed of \$11,315 reflected in the former chancery clerk's payroll fund.

### Chancery Clerk's Response

Finding pertains to former clerk. She was not available for response.

### 2. Finding

Certain audit procedures are required each year on certain accounts and funds of the chancery clerk's office. For the portion of the year that the former chancery clerk held the office, I was unable to obtain the following information necessary to perform my audit procedures:

- Land redemption bank statements
- Land redemption bank reconciliations
- Land redemption releases
- Mineral stamp bank statements
- Mineral stamp bank reconciliations
- Mineral stamp check stubs
- Chancery Clerk fee journal
- Fee account bank statements
- Fee account bank reconciliations

### Recommendation

All information from the previous clerk should be maintained for the required time period provided by state statute.

Chancery Clerk's Response

Finding pertains to former clerk. She was not available for response.

3. Finding

As a result of my audit procedures, I observed two handwritten checks for \$3,625 written to one of the deputy clerks of the former chancery clerk for what appeared to be normal duties of the deputy clerk. No authority exists within state statute authorizing the board of supervisors of a county to supplement wages of employees of the chancery clerk's office.

Recommendation

The chancery clerk should be responsible for paying all wages earned by employees within this office.

Chancery Clerk's Response

Finding pertains to former clerk. She was not available for response.

4. As a result of my audit procedures, I observed one check written to the former chancery clerk for \$2,256.20. The description on the financial accounting system stated that the payment was for excess withholdings on Medicare and Social Security as per the calculation of her certified public accountant responsible for preparing her income taxes. Excess withholdings of Social Security and Medicare would have been claimed as withholdings on her income tax return for 2006. Therefore, any payment by the county represents a double reimbursement.

Recommendation

The county should seek immediate reimbursement from the former chancery clerk.

Chancery Clerk's Response

Finding pertains to former clerk. She was not available for response.

5. Finding

As a result of my audit procedures on statutory fees, it appears that the former chancery clerk received a net overpayment of \$2,665.36 for fees earned.

Recommendation

The county should seek immediate reimbursement from the former chancery clerk.

### Chancery Clerk's Response

Finding pertains to former clerk. She was not available for response.

### **Sheriff**

#### 6. Finding

Certain audit procedures are required each year on certain accounts and funds of the sheriff's department. For the portion of the year that the former sheriff held the office, I was unable to obtain the cash journals, bank statements and bank reconciliations necessary to perform my audit procedures.

#### Recommendation

All information from previous sheriff should be maintained as required by state statute for the required time period.

#### Sheriff's Response

This finding relates to the previous administration. My office will comply with all state statutes in regards to records.

### **Board of Supervisors**

#### 7. Finding

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

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

Recommendation

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

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

Board of Supervisors' Response

Any future loans will be documented and only made when legally permissible.

8. Finding

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

Recommendation

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

Board of Supervisors' Response

This has been corrected and properly advertised this year.

9. Finding

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

Recommendation

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

Board of Supervisors' Response

The practice of issuing handwritten checks has stopped. All checks will be included on a claims docket and approved by the board of supervisors.

10. Finding

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

Recommendation

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

Board of Supervisors' Response

It is understood that no monies shall be spent prior to approval by the State Tax Commission. This will be strictly adhered to in the future.

11. Finding

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

Recommendation

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

Board of Supervisors' Response

Limitations set forth by the Department of Finance and Administration will be strictly followed.

12. Finding

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

Recommendation

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

Board of Supervisors' Response

A specific order setting forth each levy has been approved and spread on the minutes.

13. Finding

Section 19-11-11, Miss. Code Ann. (1972) requires the Board of Supervisors, by resolution, to approve and adopt the budget and enter the same at length and in detail in its official minutes. As reported in the prior year, the Board of Supervisors did not include the original budget in the minutes on a timely basis.

Recommendation

The Board of Supervisors should include a copy of the original budgets in its minutes on a timely basis.

Board of Supervisors' Response

The budget has been approved and spread on the minutes of the board of supervisors.

14. Finding

The board of supervisors continued to levy 3 mills for debt on bonds that were paid off in the prior year. State statute only allows the levying authority to levy and collect taxes for purposes where the levy authority has specific authority to do so.

Recommendation

The Board of Supervisors should only approve levies to collect taxes for purposes where it has specific authority to do so.

Board of Supervisors' Response

Only taxes approved on the specific levy sheet which is spread on the minutes will be collected.

Greene County, Mississippi's responses to the findings included in this report were not audited, and accordingly, I express not opinion on them.

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

Exception Issued On/Demand Issued On:

Latricia Cornelson, Chancery Clerk

Nature of Exception/Demand:

See Chancery Clerk Findings #1,3 and 5 described in this report.


Amount of Exception/Demand:

\$19,862

Disposition of Exception/Demand:

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

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



Stephen D. Myrick  
Certified Public Accountant

Quitman, Mississippi  
September 16, 2008

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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Summary of Auditor's Results

**Financial Statements**

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

**Federal Awards:**

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

- |  |           |
|--|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000 |
| 9. Auditee qualified as low-risk auditee?  | No        |
| 9. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No        |

Section 2: Financial Statement Findings

**Material Weaknesses**

07-1. Finding

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

Recommendation

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

Board of Supervisors' Response

We are establishing a more detailed and stricter enforcement for our records. This will be corrected within this year.

07-2. Finding

As stated in the prior year, internal control procedures are inadequate to ensure the accuracy of payroll, payroll benefits and the related accounting for those transactions. Failure to properly maintain the county's financial accounting and payroll systems could result in the loss or misappropriation of public funds.

Recommendation

The county should develop internal control procedures to ensure the accuracy of payroll, payroll benefits and the related accounting for those transactions.

Board of Supervisors' Response

We are establishing a more detailed and stricter enforcement for our payroll records. This will be corrected within this year.

07-3. Finding

Internal control procedures are inadequate to ensure the accuracy of the financial accounting system and the related records and supporting documentation. Failure to properly maintain the county's financial accounting system as well as the related records and supporting documentation could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should implement internal control procedures that ensure complete and accurate financial records are maintained.

Board of Supervisors' Response

We have corrected this and are keeping records current and timely.

07-4. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The benefits of contracting with a CPA firm to prepare financial statements, as well as, other schedules do not exceed the cost of performing such services.

07-5. Finding

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

Recommendation

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

Board of Supervisors' Response

Due to funding limitations the board of Greene County, Mississippi Greene County, Mississippi's component unit does not have the available funds to have audits performed.

**Significant Deficiencies**

07-6 Finding

Section 19-3-27, Miss. Code Ann. (1972), requires evidence that a complete and correct record of all board orders and proceedings be kept. As stated in the prior year, it does not appear that the county has internal control procedures in place to ensure that a complete and accurate record of all board orders and proceedings is maintained.

Recommendation

Internal control procedures should be implemented to ensure that a complete and accurate record of all board orders and proceedings is maintained.

Board of Supervisors' Response

This has been corrected and an accurate record of all proceedings is being kept.

07-7. Finding

Section 19-11-17, Miss. Code Ann. (1972) states that no expenditures shall be made, liabilities incurred or warrants issued in excess of the budget estimates as finally determined by the Board of Supervisors. This statute also states that any violation of the provisions of this section shall make the members of the Board of Supervisors voting for the same and the surety upon their official bonds, liable for the full amount of the claim allowed or contract entered into or public work provided for. As stated in the prior year, I observed several funds where actual expenditures exceeded budgeted expenditures by \$1,993,116 and several funds with total expenditures of \$269,165 that were not budgeted.

Failure to properly maintain the county's budgetary system could result in the loss or misappropriation of public funds.

Recommendation

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

Board of Supervisors' Response

No expenditure will be made, liabilities incurred or warrants issued which exceeds budget figures.

Section 3: Federal Award Findings and Questioned Costs

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

