



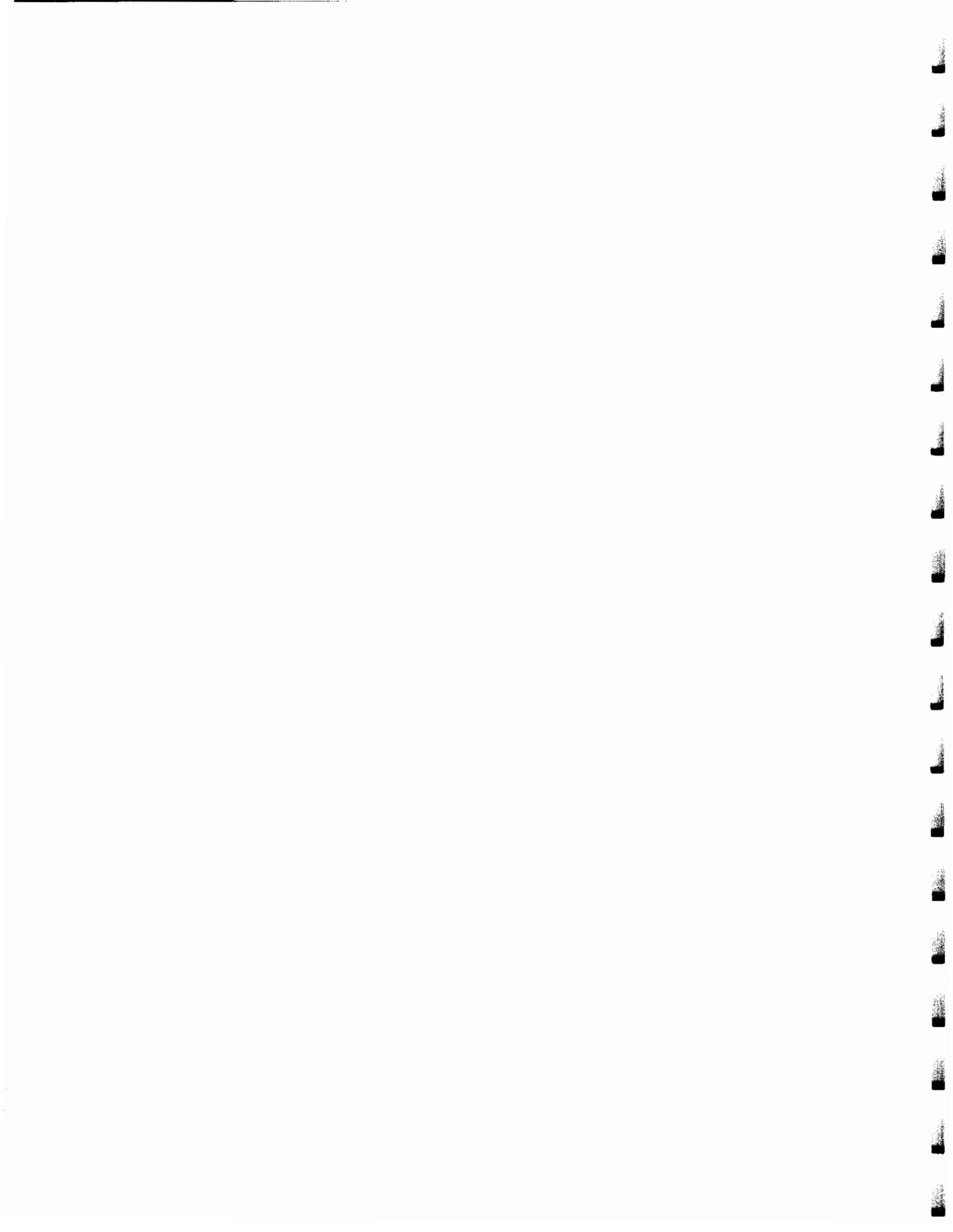
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GREENE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2005

Presented by:  
Dribben & Associates, Ltd.  
P. O. Box 1411  
113 North Broadway Avenue  
McComb, MS 39649-1411



GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

GREENE COUNTY SCHOOL DISTRICT

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

March 21, 2006

Superintendent and School Board  
Greene County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Greene County School District as of and for the year ended June 30, 2005, which collectively comprise the Greene County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the Greene County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

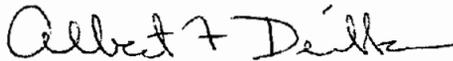
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Greene County School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2006, on our consideration of the Greene County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 11 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Greene County School District'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. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

GREENE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREENE COUNTY SCHOOL DISTRICT

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# GREENE COUNTY SCHOOL DISTRICT

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Dennis Cochran Business Administrator		

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of Greene County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is presented in this discussion and analysis.

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$607,758, which represents 7% increase from fiscal year 2004.
- General revenues account for \$10,279,510 in revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,932,924 or 28% of total revenues.
- The District had \$13,604,676 in expenses; only \$3,932,924 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,279,510 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,583,233 in revenues and \$9,648,602 in expenditures. The General Fund's fund balance decreased \$512,503 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$187,039.
- Long-term debt decreased by \$64,235. This decrease is due to principal payments made during the fiscal year on existing debt.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

The government-wide financial statements can be found on pages 19 - 20 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24 respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 21 and 23 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 25.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 40 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 41 - 46 of this report.

Additionally, OMB Cir A-133 requires a schedule of expenditures of federal awards and can be found on page 49 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$8,240,240 as of June 30, 2005.

By far the largest portion of the District's net assets (51%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005.

	June 30, 2005	June 30, 2004
Current assets	\$ 4,951,355	4,510,413
Capital assets, net	4,566,082	4,753,121
<b>Total assets</b>	<b>9,517,437</b>	<b>9,263,534</b>
Current liabilities	942,263	1,046,090
Long-term debt outstanding	334,934	470,247
<b>Total liabilities</b>	<b>1,277,197</b>	<b>1,516,337</b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	4,197,108	4,384,147
Restricted	3,210,260	2,431,190
Unrestricted	832,872	931,860
<b>Total net assets</b>	<b>\$ 8,240,240</b>	<b>7,747,197</b>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$65,185 of long-term debt.
- The addition of \$333,035 in capital assets from the construction of new school facilities.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 20, 2005 were \$14,212,434. The total cost of all programs and services was \$13,604,676. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	June 30, 2005	June 30, 2004
<b>Revenues:</b>		
Program revenues	\$ 3,932,924	\$ 4,801,746
General revenues	10,279,510	10,148,106
<b>Total revenues</b>	<b>14,212,434</b>	<b>14,949,852</b>
<b>Expenses:</b>		
Instruction	8,190,536	8,092,812
Support services	4,223,657	4,270,951
Non-instructional	1,156,741	1,850,522
Sixteenth section	20,028	15,013
Interest on long-term liabilities	13,714	11,964
<b>Total expenses</b>	<b>13,604,676</b>	<b>14,241,262</b>
<b>Increase in net assets</b>	<b>\$ 607,758</b>	<b>\$ 708,590</b>

**Governmental activities.** The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2005		2004	
	Total	Net (Expense)	Total	Net (Expense)
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 8,190,536	(6,259,826)	\$ 7,940,186	(5,915,760)
Support services	4,223,657	(3,407,819)	4,378,540	(3,454,409)
Non-instructional	1,156,741	29,635	1,895,559	(42,370)
Sixteenth section	20,028	(20,028)	15,013	(15,013)
Interest on long-term liabilities	13,714	(13,714)	11,964	(11,964)
<b>Total expenses</b>	<b>\$ 13,604,676</b>	<b>(9,671,752)</b>	<b>\$ 14,241,262</b>	<b>(9,439,516)</b>

- Net cost of governmental activities (\$9,671,752) was financed by general revenue, which is made up of primarily property taxes \$1,968,223 and state revenue \$7,811,105.
- Investment earnings accounted for \$56,293 of funding.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,083,974, an increase of \$684,045 from fiscal year 2004. \$2,238,828 or 55% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund as a result of operations for the fiscal year was \$512,503. The fund balance in the 16<sup>th</sup> Section Interest Fund increased \$183,751 due to transfers of sixteenth section revenue. Other Governmental Funds showed a decrease in fund balance of \$12,209.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant revisions made during the fiscal year are as follows:

- Budgeted amounts for revenues from local, state federal and sixteenth section sources were increased to reflect the actual revenues received during the year.
- Budgeted amounts for expenditures in the General Fund and the Sixteenth Section Interest Fund were increased to more accurately reflect the actual amounts expended during the fiscal year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets were \$9,132,265, including land, construction in progress, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents an increase of \$10,625 from the previous year. The majority of this increase is an addition to construction in progress in the amount of \$95,593 and retirements of \$74,661 related to construction of new school facilities. Total accumulated depreciation as of June 30, 2005 was \$4,566,183, and total depreciation expense for the year was \$239,449, resulting in total net assets of \$4,566,082.

Additional information of the District's capital assets can be found in Note 5 on page 35 of this report.

**Debt Administration.** At June 30, 2005, the District had \$406,012 in obligations under capital leases and other long-term debt outstanding, of which \$71,078 is due within one year. Long-term debt outstanding decreased \$64,235 from fiscal year 2004. This decrease is due to principal payments made during the fiscal year on existing.

Additional information of the District's long-term debt can be found in Note 6 on page 36 of this report.

## **CURRENT ISSUES**

The Greene County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has not significantly changed over the past several years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has not significantly increased or decreased over the past several years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Greene County School District, P. O. Box 1329, Leakesville, MS 39451.

GREENE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

GREENE COUNTY SCHOOL DISTRICT

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Greene County School District  
Statement of Net Assets  
June 30, 2005

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 3,896,983
Due from other governments	497,405
Other receivables, net	45,027
Inventories and prepaid items	52,658
Restricted assets	459,282
Capital Assets, net	4,566,082
<b>Total Assets</b>	<u>9,517,437</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	135,131
Deferred revenue	20,493
Other payables	711,757
Interest payable on long-term liabilities	3,804
Long-term liabilities (Due within 1 year)	
Capital related liabilities	68,040
Non-capital related liabilities	3,038
Long-term liabilities (Due beyond 1 year)	
Capital related liabilities	236,699
Non-capital related liabilities	98,235
<b>Total Liabilities</b>	<u>1,277,197</u>
<u>Net Assets</u>	
Investment in capital assets (net of related debt)	4,197,108
Restricted net assets for:	
Expendable:	
School-based activities	1,417,772
Capital improvements	1,134,044
Forestry improvements	98,561
Unemployment benefits	82,773
Non-expendable:	
Sixteenth section	477,110
Unrestricted	832,872
<b>Total Net assets</b>	<u>\$ 8,240,240</u>

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

Greene County School District  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
Instruction	\$ 8,190,536	374,970	1,528,442	27,298	(6,259,826)
Support services	4,223,657		811,809	4,029	(3,407,819)
Non-instructional	1,156,741	300,535	826,611	59,230	29,635
Sixteenth section	20,028				(20,028)
Interest and other expenses on long-term liabilities	13,714				(13,714)
Total governmental activities	<u>\$ 13,604,676</u>	<u>675,505</u>	<u>3,166,862</u>	<u>90,557</u>	<u>(9,671,752)</u>
General revenue:					
Taxes					
General purpose levies					1,968,223
Unrestricted grant and contributions:					
State					7,811,105
Federal					133,938
Unrestricted investment earnings:					
Sixteenth section					201,921
Other					108,030
Total General Revenues					<u>10,279,510</u>
Changes in net assets					<u>607,758</u>
Net assets - beginning					7,747,197
Prior period adjustments					(114,715)
Net assets - beginning, as restated					<u>7,632,482</u>
Net assets - ending					<u>\$ 8,240,240</u>

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

Greene County School District  
 Balance Sheet - Governmental Funds  
 For the Year Ended June 30, 2005

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Low Grant Fund	16th Section Interest Fund		
<b>Assets:</b>					
Cash and cash equivalents	\$ 820,854	35,180	976,277	2,523,954	4,356,265
Due from other governments	204,715	193,235	-	99,455	497,405
Due from other funds	494,918	-	-	72,525	567,443
Inventories and prepaid items	-	-	-	52,658	52,658
	<u>\$ 1,520,487</u>	<u>228,415</u>	<u>976,277</u>	<u>2,748,592</u>	<u>5,473,771</u>
<b>Liabilities &amp; Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	104,400	315	-	30,416	135,131
Due to other funds	542,374	228,100	171,298	292,401	1,234,173
Deferred revenue	-	-	-	20,493	20,493
Total liabilities	<u>646,774</u>	<u>228,415</u>	<u>171,298</u>	<u>343,310</u>	<u>1,389,797</u>
<b>Fund balances:</b>					
Reserved for:					
Inventory	-	-	-	52,658	52,658
Unemployment benefits	-	-	-	82,773	82,773
Forestry improvements	-	-	-	98,561	98,561
Capital projects funds	-	-	-	1,134,044	1,134,044
Permanent funds	-	-	-	477,110	477,110
Unreserved:					
Undesignated, reported in:					
General fund	873,713	-	-	-	873,713
Special revenue funds	-	-	804,979	560,136	1,365,115
Total fund balances	<u>873,713</u>	<u>-</u>	<u>804,979</u>	<u>2,405,282</u>	<u>4,083,974</u>
Total liabilities & fund balances	<u>\$ 1,520,487</u>	<u>228,415</u>	<u>976,277</u>	<u>2,748,592</u>	<u>5,473,771</u>

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

Greene County School District  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,083,974
Amounts reported for net assets in the Statement of Net Assets are different because:	
1. Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets	9,132,265
Accumulated depreciation	(4,566,183)
2. Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 6):	
Long-term liabilities	(406,012)
Accrued interest on long-term liabilities	(3,804)
Total Net Assets - Governmental Activities	<u>\$ 8,240,240</u>

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

Greene County School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds  
For the Year Ended June 30, 2005

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Low Grant Fund	16th Section Interest Fund		
<b>Revenues:</b>					
Local sources	\$ 2,581,146	-	15,115	188,739	2,785,000
Intermediate sources	4,100	-	-	200	4,300
State sources	7,864,049	-	-	407,942	8,271,991
Federal sources	133,938	535,912	-	2,260,620	2,930,470
Sixteenth section sources	-	-	168,636	40,462	209,098
<b>Total revenues</b>	<b>10,583,233</b>	<b>535,912</b>	<b>183,751</b>	<b>2,897,963</b>	<b>14,200,859</b>
<b>Expenditures:</b>					
Instruction	6,131,022	425,968	-	1,502,702	8,059,692
Support services	3,294,635	102,044	-	749,759	4,146,438
Non-instructional services	144,114	7,900	-	973,660	1,125,674
Sixteenth section	-	-	-	20,028	20,028
Facilities acquisition and construction	77,137	-	-	18,457	95,594
Debt Service:					
Principal	-	-	-	65,185	65,185
Interest	1,694	-	-	14,084	15,778
<b>Total expenditures</b>	<b>9,648,602</b>	<b>535,912</b>	<b>-</b>	<b>3,343,875</b>	<b>13,528,389</b>
Excess (deficiency) of revenues over expenditures	934,631	-	183,751	(445,912)	672,470
Other Financing Sources (Uses):					
Insurance loss recoveries	8,374	-	-	-	8,374
Sale of transportation equipment	3,201	-	-	-	3,201
Operating Transfers in	1,074,793	-	-	582,967	1,657,760
Operating Transfers out	(1,508,496)	-	-	(149,264)	(1,657,760)
Total Other Financing Sources (uses)	(422,128)	-	-	433,703	11,575
Net Change in Fund Balances	512,503	-	183,751	(12,209)	684,045
Fund balances:					
July 1, 2004	417,773	-	621,228	2,431,190	3,470,191
Prior period adjustment	(56,563)	-	-	2,408	(54,155)
July 1, 2004, as restated	361,210	-	621,228	2,433,598	3,416,036
Increase(decrease) in reserve for inventory	-	-	-	16,107	16,107
June 30, 2005	\$ 873,713	-	804,979	2,405,282	4,083,974

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

Greene County School District  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net change in fund balances	\$ 684,045
Amounts reported in the Statement of Net Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets.	123,169
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities.	(239,449)
In the Statements of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets differs from the change in fund balances by a combination of the following items:	
Losses on the sale of capital assets	(11,146)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	65,185
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences increases	(3)
Accrued interest on debt decreases	2,064
A decrease in the reserve for inventory is reported as a direct decrease to the fund balance in the governmental funds but is an increase in noninstructional service expense in the Statement of Activities.	(16,107)
Change in net assets of governmental activities.	<u>\$ 607,758</u>

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

Greene County School District  
Statement of Fiduciary Net Assets  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 83,259
Due from other funds	<u>711,757</u>
Total Assets	<u><u>795,016</u></u>
Liabilities	
Accounts payable and accrued liabilities	703,407
Due to other funds	45,027
Due to student clubs	<u>46,582</u>
Total Liabilities	<u><u>\$ 795,016</u></u>

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

GREENE COUNTY SCHOOL DISTRICT

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## GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

### Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

The school district'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 more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

## GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

### *Fund Financial Statements:*

Fund financial statements of the school district 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 two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Funds financial statements. 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. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

**Title I - Low Grant Fund** - This fund accounts for the revenues from federal funds for Title I Low grants and the expenditures directly related to these revenues.

**Sixteenth Section Interest Fund** - This fund accounts for the transactions resulting from the generation of revenue from 16<sup>th</sup> section land that is not considered to be of a permanent nature. Generally, it represents revenue earned on investments of 16<sup>th</sup> section principal funds and spendable revenues from 16<sup>th</sup> section lands under the control of the school district.

## GREENE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year ended June 30, 2005

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

#### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* issued in 2005 by the Government Finance Officers Association and consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

J. Long-term liabilities.

Long-term liabilities are the immature principal of bonds, warrants, 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 Statement of Net Assets, long-term debt and other long-term liabilities are reported as liabilities in the governmental activities column. See Note 6 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

3. Unrestricted net assets - All other net assets that do not meet 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 further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents that portion of fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for unemployment benefits - An account that represents that portion of fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements - An account that represents that portion of fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital projects fund which is legally restricted and not available for spending for any other purpose that that for which it is restricted.

Reserved for permanent fund - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district

## GREENE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year ended June 30, 2005

policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

#### P. Other Significant Accounting Policies.

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), *et seq.*, and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), *et seq.*, are maintained by the governing authority of the county and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the county prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the county who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

#### (2) Changes in Accounting Standards

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

#### (3) Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,356,265 and \$83,259 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$3,896,983 and Restricted Assets \$459,282. The Restricted assets represent the cash balance of the sixteenth section principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$104,280.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$104,280 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Major funds:		
General fund	\$ 494,918	542,374
Other major funds:		
Title I Low Grant fund		228,100
16th Section Interest Fund		171,298
Other governmental funds	72,525	292,401
Fiduciary funds	<u>711,757</u>	<u>45,027</u>
Total Funds	<u>\$ 1,279,200</u>	<u>1,279,200</u>

During the course of the year, expenditures in federal program funds are paid out on a reimbursement basis causing the district to borrow money from other funds to cover expenditures at year end and not create a deficit and other transfers include transfers for payroll to the agency clearing fund.

B. Transfers In/Out of Other Funds.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 1,074,793	1,508,496
Non-major funds:	<u>582,967</u>	<u>149,264</u>
Total Funds	<u>\$ 1,657,760</u>	<u>1,657,760</u>

The above operating transfers in and out were for distribution of MAEP funds to various funds and transfer of principal and interest funds.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

(5) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	Balance 07/01/04	Additions	Retirements	Completed Construction	Adjustments	Balance 06/30/05
<u>Non-depreciable capital assets:</u>						
Land	\$ 33,084	-	-	-	-	33,084
Construction in progress	132,274	95,593	-	(209,866)	-	18,001
Total non-depreciable capital assets	<u>165,358</u>	<u>95,593</u>	<u>-</u>	<u>(209,866)</u>	<u>-</u>	<u>51,085</u>
<u>Depreciable capital assets:</u>						
Buildings	6,575,237	-	-	-	(124,122)	6,451,115
Building improvement	233,595	-	-	209,866	-	443,461
Improvements other than buildings	435,204	-	-	-	100,271	535,475
Mobile equipment	859,885	7,087	(55,629)	-	11,051	822,394
Furniture and equipment	310,436	20,489	(19,032)	-	(25,083)	286,810
Leased property under capital leases	541,925	-	-	-	-	541,925
Total depreciable capital assets	<u>8,956,282</u>	<u>27,576</u>	<u>(74,661)</u>	<u>209,866</u>	<u>(37,883)</u>	<u>9,081,180</u>
<u>Less accumulated depreciation for:</u>						
Buildings	(3,122,231)	(91,223)	-	-	36,574	(3,176,880)
Building improvement	(9,344)	(17,738)	-	-	-	(27,082)
Improvements other than buildings	(169,737)	(20,400)	-	-	(72,196)	(262,333)
Mobile equipment	(614,568)	(42,655)	47,366	-	-	(609,857)
Furniture and equipment	(265,866)	(13,901)	16,149	-	13,892	(249,726)
Leased property under capital leases	(186,773)	(53,532)	-	-	-	(240,305)
Total accumulated depreciation	<u>(4,368,519)</u>	<u>(239,449)</u>	<u>63,515</u>	<u>-</u>	<u>(21,730)</u>	<u>(4,566,183)</u>
Total depreciable capital assets, net	<u>4,587,763</u>	<u>(211,873)</u>	<u>(11,146)</u>	<u>209,866</u>	<u>(59,613)</u>	<u>4,514,997</u>
Governmental activities capital assets, net	<u>\$ 4,753,121</u>	<u>(116,280)</u>	<u>(11,146)</u>	<u>-</u>	<u>(59,613)</u>	<u>4,566,082</u>

The capital assets above include significant amounts of land and buildings, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 130,843
Support Services	93,646
Non-instructional	14,960
Total depreciation expense	\$ 239,449

The capital assets above include significant amounts of land and buildings, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Adjustments: The adjustment to furniture and fixture was to reclassify an asset. Adjustments were also made to accumulated depreciation to correct assets that were depreciated incorrectly by the software in prior year.

(6) Long-term liabilities.

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 07/01/04	Additions	Reductions	Adjustment	Balance 06/30/05	Amounts due within one year
A. Obligations under capital leases	\$ 368,974	-	65,185	947	304,736	68,040
B. Compensated absences payable	101,273	3	-	-	101,276	3,038
Total	\$ 470,247	3	65,185	947	406,012	71,078

The adjustment to capital leases was to correct errors in the prior year in recording principal and interest payments on the capital leases.

A. Obligations under capital leases.

The school district has entered into four lease agreements that qualify as a capital lease for accounting purposes. Leased property under these leases is composed of:

1. Kitchen equipment – 60' restaurant range, two double convention ovens, tilt braising pan, electric fryer, and a Larkin exhaust hood.
2. Ten buses

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

The various options available to the lessee for these leases are as follows:

1. Title to the equipment and any and all additions, repairs, replacements, or modifications shall vest in the lessee, subject to the right of the lessor.
2. Lessee will, at own cost and expense, maintain, preserve and keep the equipment in good repair, working order and condition.
3. Lessee will have a purchase option price of \$1 at end of lease period.

The following is a schedule by years of the total payments due on this debt:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u>          </u>	<u>          </u>	<u>          </u>
2006	\$ 68,040	12,933	80,973
2007	71,195	9,767	80,962
2008	68,678	6,534	75,212
2009	63,826	3,655	67,481
2010	<u>32,997</u>	<u>744</u>	<u>33,741</u>
 Total	 <u>\$304,736</u>	 <u>33,633</u>	 <u>338,369</u>

This debt will be retired from the General Fund and the Food Service Fund.

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

B. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(7) Defined Benefit Pension Plan.

Plan Description. The school district 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$784,634, \$738,515 and \$686,857, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending <u>June 30</u>	<u>Amount</u>
2006	\$ 27,710
2007	26,661
2008	36,323
2009	26,298
2010	6,865
2011-2015	27,858
2016-2020	27,030
2021-2025	24,915
2026-2030	<u>20,643</u>
Total	<u>\$ 224,303</u>

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
An adjustment to correct a prior year error in recording capital assets.	\$ (59,613)
An adjustment to correct a prior year error in recording long-term liabilities.	(947)
An adjustment to correct a prior year error in recording an asset or a liability in the General Fund.	(56,563)
An adjustment to correct a prior year error in recording an asset or a liability in other governmental funds.	2,408
	<u>\$ (114,715)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Explanation</u>	<u>Amount</u>
General fund	
An adjustment to correct a prior year error in recording an asset or liability in the General Fund.	\$ (56,563)
Other governmental funds	
An adjustment to correct a prior year error in recording an asset or liability in other governmental funds.	2,408
	<u>\$ (54,155)</u>

(10) Litigation.

The school district 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 school district in respect to various proceedings. However, the school district's legal counsel believes that there are no lawsuits or threatened proceedings at present that will have a material adverse effect on the financial condition of the school district.

(11) Subsequent Events.

Hurricane Katrina caused damage to Greene County schools. An emergency was declared for immediate repairs and to salvage timber damaged by the hurricane.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year ended June 30, 2005

On February 13, 2006, the district accepted the lowest bid of Boyles Roofing for a total of \$205,811 to repair roofs of buildings damaged by Katrina. At the time of fieldwork, no estimate of final Federal Emergency Management Agency (FEMA) or insurance reimbursement could be made. The district does not anticipate any new debt to be incurred however.

(12) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$1,000,000. For a claim exceeding \$1,000,000, MPEWCT has insurance which will pay the excess up to \$1,000,000. If total claims during a year were to deplete the trust account then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

GREENE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY SCHOOL DISTRICT

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Greene County School District  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

Schedule 1-A

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,203,800	2,570,809	2,581,146	(367,009)	10,337
Intermediate sources	-	(4,100)	4,100	4,100	-
State sources	7,999,327	7,864,049	7,864,049	(135,278)	-
Federal sources	50,000	133,938	133,938	83,938	-
Total revenues	<u>10,253,127</u>	<u>10,564,696</u>	<u>10,583,233</u>	<u>311,569</u>	<u>10,337</u>
Expenditures:					
Instruction	6,138,461	6,132,677	6,131,022	5,784	(1,655)
Support services	3,128,194	3,306,218	3,294,635	(178,024)	11,583
Noninstructional services	140,000	145,781	144,114	(5,781)	1,667
Facilities acquisition and construction	-	61,355	77,137	(61,355)	(15,782)
Debt Service:					
Principal	14,145	4,199	-	9,946	4,199
Interest	6,730	1,694	1,694	5,036	-
Total expenditures	<u>9,427,530</u>	<u>9,651,924</u>	<u>9,648,602</u>	<u>(224,394)</u>	<u>3,322</u>
Excess (deficiency) of revenues over expenditures	<u>825,597</u>	<u>912,772</u>	<u>934,631</u>	<u>87,175</u>	<u>13,659</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	8,374	8,374	8,374	-
Sale of property	-	3,201	3,201	3,201	-
Transfers in	1,013,853	1,074,793	1,074,793	60,940	-
Transfers out	(1,561,695)	(1,508,496)	(1,508,496)	53,199	-
Total other financing sources and uses	<u>(547,842)</u>	<u>(422,128)</u>	<u>(422,128)</u>	<u>125,714</u>	<u>-</u>
Net change in fund balances	<u>277,755</u>	<u>490,644</u>	<u>512,503</u>	<u>212,889</u>	<u>13,659</u>
Fund balances:					
July 1, 2004	<u>715,000</u>	<u>417,773</u>	<u>417,773</u>	<u>(297,227)</u>	<u>-</u>
Prior Period Adjustment	-	(2,408)	(56,563)	(2,408)	(54,154)
July 1, 2005, as restated	<u>715,000</u>	<u>415,365</u>	<u>361,210</u>	<u>(299,635)</u>	<u>(54,154)</u>
June 30, 2005	<u>\$ 992,755</u>	<u>906,009</u>	<u>873,713</u>	<u>(86,746)</u>	<u>(40,495)</u>

The notes to the required supplementary information are an integral part of this statement.

Greene County School District  
 Budgetary Comparison Schedule  
 Title I - Low Grant Fund  
 For the Year Ended June 30, 2005

Schedule 1-B

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	-	-	-	-
State sources	-	-	-	-	-
Federal sources	567,108	535,912	535,912	(31,196)	-
Total revenues	<u>567,108</u>	<u>535,912</u>	<u>535,912</u>	<u>(31,196)</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	424,933	425,968	425,968	(1,035)	-
Support services	81,448	102,044	102,044	(20,596)	-
Noninstructional services	20,579	7,900	7,900	(12,679)	-
Total expenditures	<u>526,960</u>	<u>535,912</u>	<u>535,912</u>	<u>(34,310)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>40,148</u>	<u>-</u>	<u>-</u>	<u>3,114</u>	<u>-</u>
Net change in fund balances	<u>40,148</u>	<u>-</u>	<u>-</u>	<u>3,114</u>	<u>-</u>
<b>Fund balances:</b>					
July 1, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2005	<u>\$ 40,148</u>	<u>-</u>	<u>-</u>	<u>3,114</u>	<u>-</u>

The notes to the required supplementary information are an integral part of this statement.

Greene County School District  
 16th Section Interest Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 5,000	15,115	15,115	10,115	-
Sixteenth section sources	30,000	168,636	168,636	138,636	-
Total revenues	35,000	183,751	183,751	148,751	-
<b>Expenditures</b>					
Sixteenth section	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	35,000	183,751	183,751	148,751	-
<b>Other Financing Sources</b>					
Transfers out	(40,000)	-	-	(40,000)	-
Total other financing sources and uses	(40,000)	-	-	(40,000)	-
Net change in fund balance	(5,000)	183,751	183,751	108,751	-
Fund balances:					
July 1, 2004	621,228	621,228	621,228	621,228	-
June 30, 2005	\$ 616,228	804,979	804,979	729,979	-

GREENE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

GREENE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT  
 Schedule of Expenditure of Federal Awards  
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 54,189
Child nutrition cluster:		
School breakfast program	10.553	264,882
National school lunch program	10.555	565,142
Total child nutrition cluster		<u>830,024</u>
Total U. S. Department of Agriculture		<u>884,213</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	42,472
Total Federal Communications Commission		<u>42,472</u>
<u>U. S. Department of Education</u>		
Direct Program:		
Twenty-first century community learning centers	84.287	825,857
Total		<u>825,857</u>
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	535,912
Vocational education-basic grants to states	84.048	35,210
Safe and drug-free schools and communities-national grants	84.184	5,839
Safe and drug-free schools and communities-state grants	84.186	1,000
State grants for innovative programs	84.298	1,500
Education technology-state grants	84.318	5,965
Improving teacher quality-state grants	84.367	175,327
Rural education	84.358	19,120
Total		<u>779,873</u>
Special educational cluster:		
Special education-grants to states	84.027	259,466
Special education-preschool grants	84.173	54,893
Total		<u>314,359</u>
Total passed-through Mississippi Department of Education		<u>1,094,232</u>
Total U. S. Department of Education		<u>1,920,089</u>
Total for All Federal Awards		<u>\$ 2,846,774</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same basis of accounting policies, as applicable used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Greene County School District  
 Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,053,894	7,503,286	1,117,821	2,432,787
Other	2,474,495	556,406	121,190	1,796,899
<b>Total</b>	<b>13,528,389</b>	<b>8,059,692</b>	<b>1,239,011</b>	<b>4,229,686</b>
Total number of students	1,781			
Cost per student	\$ 7,596	4,525	696	2,375

For purposes of this schedule, the following columnar descriptions are applicable:

**Instruction** - includes that activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000 functional codes)

**Administrative** - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

**Other** - includes all expenditure functions not included in Instruction or Administrative

GREENE COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

GREENE COUNTY SCHOOL DISTRICT

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

March 21, 2006

Superintendent and School Board  
Greene County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Greene County School District as of and for the year ended June 30, 2005, which collectively comprise the Greene County School District's basic financial statements and have issued our report thereon dated March 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 05-1 and 05-2.

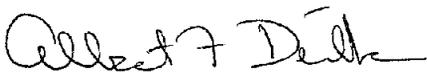
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated March 21, 2006, which is included in this report.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Sincerely,



Albert F. Dribben  
Dribben & Associates, Ltd.  
McComb, Mississippi

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

March 21, 2006

Superintendent and School Board  
Greene County School District

Compliance

We have audited the compliance of the Greene County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Greene County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

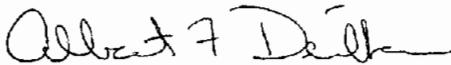
The management of the Greene County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does

not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben".

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

GREENE COUNTY SCHOOL DISTRICT

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

GREENE COUNTY SCHOOL DISTRICT

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

March 21, 2006

Superintendent and School Board  
Greene County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Greene County School District as of and for the year ended June 30, 2005, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated March 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972) disclosed no instances of noncompliance. The district reported \$47,577 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

As reported in prior year's audit report, the salary scales for non-instructional and non-certified employees were not documented in the board minutes as approved by the board. This violates Section 37-7-301(2) of the Mississippi Code Ann. (1972).

Recommendation

The district should comply with Sections 37-7-301(2), of the Mississippi Code Ann. (1972), which grants the school board the authority to set the rate of pay for all certified and non-instructional employees and fix the duties and compensation of such personnel.

Response

The school district has corrected this finding and 2006 salary scales were set and spread in the minutes.

2. Finding

As reported in prior year's audit report, in our test of payroll expenditures, we also noted that supplements paid to certified personnel were not included in the contract amount paid to the employees and shown on the face of the contract. As per Section 37-9-37 of the Mississippi Code Ann. (1972), noted above, the board shall approve the rate of pay for certified employees and this total rate of pay should be noted on the employee's contract.

Recommendation

We recommend that the school district include all supplements paid to certified employees in each certified employee's contract to show the full contracted amount paid to the individual.

Response

This finding has been corrected and 2006 contracts now include all supplements paid.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

GREENE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |     |  |               |
|-----|--|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified   |
| 5.  | Internal control over major programs:  |               |
| a.  | Material weakness identified?  | No            |
| b.  | Reportable condition identified that are not considered to be material weaknesses?   | No            |
| 6.  | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?  | No            |
| 7.  | Federal programs identified as major programs:   |               |
| a.  | Child Nutrition Cluster  |               |
| 1.  | School breakfast program   | CFDA#: 10.553 |
| 2.  | National school lunch program  | CFDA#: 10.555 |
| b.  | Special educational cluster:   |               |
| 1.  | Special education-grants to states   | CFDA#: 84.027 |
| 2.  | Special education-preschool grants   | CFDA#: 84.173 |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?   | Yes           |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No            |

GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 2: Financial Statement Findings

Reportable conditions not considered to be material weaknesses:

05-1 Finding

As reported in our prior years' audit reports, during our examination of general and agency activity and club fund revenues, we noted the following internal control weaknesses:

- a. A number of instances of receipts not indicating type of payment.
- b. A number of instances in which the name of the person remitting the funds was not indicated.
- c. Two of instances in which receipts were not timely deposited.

Recommendation

We recommend that the district implement policies and procedures to correct the above weaknesses. At a minimum, the district should comply with the provisions of the *Financial Accounting Manual for Mississippi Public School Districts* as it pertains to activity and club fund receipts to include the following:

- a. All receipts should be completed to include the type of payment received.
- b. All receipts should indicate the person remitting the funds
- c. All receipts should be deposited daily per school district policy.

05-02 Finding

During our test of general expenditures, we noted the following internal control weaknesses:

- a. Two instances of quotes not being obtained. Also one instance of quotes from catalogs not being documented.
- b. One instance of purchase order not being obtained.

We recommend that the district implement policies and procedures to correct the above weaknesses. At a minimum, the district should comply with the provisions of the *Financial Accounting Manual of Mississippi Public School Districts* as it pertains to purchasing, in include the following:

- a. Purchase requests of the amounts between \$3,500 and \$15,000 must be accompanied by two written quotes. The school board should accept the lesser of the two quotes, unless the board authorizes other than the lowest quote and stipulates the reason in board minutes.

GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

- b. Purchase orders must be used with all purchases. Prior to authorizing a purchase order, the purchasing agent can check to see if funds are available. This helps the district to remain within its proposed budget as well as preventing exceeding cash balances, both of which are against state law.

Section 3: Federal Award Findings and Questioned Costs

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

GREENE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

GREENE COUNTY SCHOOL DISTRICT

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