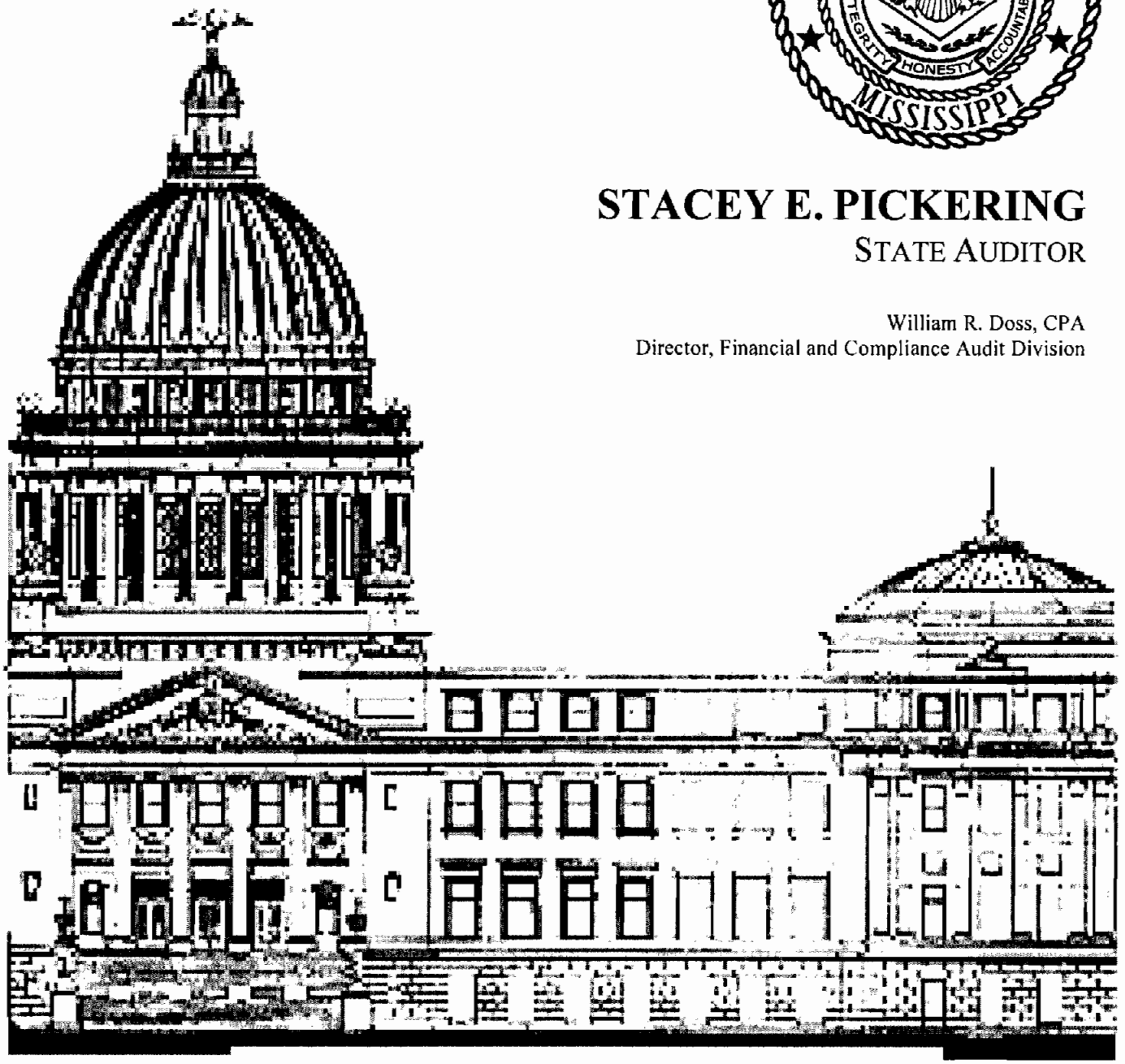
GREENE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2006



STACEY E. PICKERING

STATE AUDITOR

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

A Report from the Education Audit Section

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GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

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, 2006, 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 of 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 opinions.

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, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

POST OFFICE BOX 956 • JACKSON, MISSISSIPPI 39205 • (601) 576-2800 • FAX (601) 576-2687

The Management's Discussion and Analysis on pages 7 through 15 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.

STACEY E. PICKERING
State Auditor

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

March 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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GREENE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of the 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, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic 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.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased $377,968 which represents a 4% increase from fiscal year 2005.

- General revenues account for $11,636,588 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,506,614, or 23% of total revenues.

- The District had $14,696,050 in expenses; only $3,506,614 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $11,636,588 were adequate to provide for these programs.

- Among major funds, the General Fund had $11,403,140 in revenues and $11,159,874 in expenditures. After net other financing sources of $400,494, the net change in fund balance for the General Fund, including the effect of prior period adjustments, was an increase of $660,029 from the previous year. This increase is due primarily to insurance loss recoveries in the amount of $372,216 and salary related expenditures normally incurred in the Gencral Fund were reported in the Displaced Student Grant Fund and federal sources were recorded to cover those expenditures.

- Capital assets, net of accumulated depreciation, increased by $262,920.

- Long-term debt increased by $487,951 due primarily to new debt acquired during the fiscal year for the purchase of school buses.

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 are comprised of 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.

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.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds balance sheet and in the governmental funds 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.

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.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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 special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $8,618,208 as of June 30, 2006.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. $4,035,256 of the District's net assets (47%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), 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. $3,155,338 of the District's net assets (37%) reflects its restricted net assets. A portion of the restricted net assets is expendable

for school based activities, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for sixteenth section investment purposes. $1,427,614 of the District's net assets (16%) reflects its unrestricted net assets.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and 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, 2006, and comparative data for the fiscal year ended June 30, 2005.

	Net Assets		Percentage
	June 30, 2006	June 30, 2005	Change
Current assets	$ 5,251,826	4,492,073	16.9 %
Other assets	502,499	459,282	9.4 %
Capital assets, net	4,829,002	4,566,082	5.8 %
Total assets	10,583,327	9,517,437	11.2 %
Current liabilities	1,071,156	871,185	23.0 %
Long-term debt outstanding	893,963	406,012	120.2 %
Total liabilities	1,965,119	1,277,197	53.9 %
Net assets:			
Invested in capital assets, net of related debt	4,035,256	4,197,108	(3.9) %
Restricted	3,155,338	3,210,260	(1.7) %
Unrestricted	1,427,614	832,872	71.4 %
Total net assets	$ 8,618,208	8,240,240	4.6 %

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

- Current assets increased from the previous fiscal year due primarily to an increase in amounts due from other governments. At fiscal year end, the District reported amounts due from federal sources of approximately $380,735 related to the Displaced Student Grant resulting from Hurricane Katrina. The District also reported large amounts due from federal sources in the Title I Low Grant Fund, Title II Improving Teacher Quality Fund and the IDEA Special Education Fund.

- Capital assets increased from the previous fiscal year due primarily to the purchase of new school buses during the fiscal year.

- Current liabilities increased from the previous fiscal year due primarily to an increase in deferred revenue.

- Long-term debt outstanding increased from the previous fiscal year. The District entered into a new lease agreement which qualified as a capital lease. Proceeds from the capital lease were used to purchase ten new school buses.

- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in fund balance of the General Fund during the fiscal year.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006, were $15,143,202. The total cost of all programs and services was $14,696,050. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006, and comparative data for the fiscal year ended June 30, 2005.

	Change in Net Assets		Percentage
	June 30, 2006	June 30, 2005	Change
Revenues:			
Program revenues:			
Charges for services	$ 576,467	675,505	(14.7) %
Operating grants and contributions	2,930,147	3,166,862	(7.5) %
Capital grants and contributions		90,557	(100.0) %
General revenues:			
Property taxes	2,048,121	1,968,223	4.1 %
Grants and contributions not restricted	8,617,743	7,945,043	8.5 %
Other	970,724	366,244	165.0 %
Total revenues	15,143,202	14,212,434	6.5 %
Expenses:			
Instruction	8,871,012	8,190,536	8.3 %
Support services	4,695,667	4,223,657	11.2 %
Non-instructional	1,094,851	1,156,741	(5.4) %
Sixteenth section	19,441	20,028	(3.0) %
Interest and other expenses on long-term liabilities	15,079	13,714	10.0 %
Total expenses	14,696,050	13,604,676	8.0 %
Increase (Decrease) in net assets	447,152	607,758	(26.4) %
Net Assets, July 1	8,240,240	7,747,197	6.4 %
Prior Period Adjustments	(69,184)	(114,715)	
Net Assets, Restated, July 1	8,171,056	7,632,482	7.1 %
Net Assets, June 30	$ 8,618,208	8,240,240	4.6 %

The following are significant current year transactions that have had an impact on the Statement of Activities:

- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions and other general revenues, which included insurance loss recoveries in the amount of $372,216 resulting from Hurricane Katrina.

- Instruction expenses increased from the previous fiscal year due primarily to the 8% increase in teacher salaries.

- Support services expenses increased from the previous fiscal year due primarily to the purchase of ten new school buses.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005, 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.

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	$ 8,871,012	$ (6,793,990)	$ 8,190,536	$ (6,259,826)
Support services	4,695,667	(4,261,615)	4,223,657	(3,407,819)
Non-instructional	1,094,851	(125,981)	1,156,741	29,635
Sixteenth section	19,441	7,229	20,028	(20,028)
Interest and other expenses on long-term liabilities	15,079	(15,079)	13,714	(13,714)
Total expenses	$ 14,696,050	$ (11,189,436)	$ 13,604,676	$ (9,671,752)

- The net cost of governmental activities for fiscal year 2006 in the amount of $11,189,436 was financed by general revenue, which is made up of primarily property taxes of $2,048,121 and state revenue of $8,600,689.

- Investment earnings accounted for $106,284 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 fiscal year June 30, 2006, its governmental funds reported a combined fund balance of $4,689,080. The net change in fund balance for the fiscal year was an increase of $660,029, including prior period adjustments, as due primarily to federal revenue entitled to the District under the Displaced Student Grant and insurance loss recoveries which both resulted from Hurricane Katrina. $2,817,614, or 60.09%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of $1,871,466, or 39.91%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, capital projects purposes, unemployment benefits, forestry improvements, and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of $660,029, including prior period adjustments, is due primarily to federal revenue entitled to the District under the Displaced Student Grant, which covered a portion of salary related expenditures normally incurred in the General Fund, and insurance loss recoveries which both resulted from Hurricane Katrina. The net change in fund balance of the Sixteenth Section Interest Fund for the fiscal year was an increase of $181,315 due primarily to revenue generated during the fiscal year from leases, earnings on sixteenth section investments and the sale of timber. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of $236,238, including prior period adjustments, is due primarily to the deficiency of revenues over expenditures in various funds.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local sources in the General Fund were increased primarily to reflect the increase in advalorem receipts. Amounts originally budgeted for advalorem receipts were less than the amount actually requested for the fiscal year.

- Budget revisions were made in the General Fund to recognize insurance loss recoveries resulting from Hurricane Katrina.

- Budget revisions were made in the Displaced Student Grant Fund to recognize revenue from federal sources and instruction expenditures related to the instruction of students displaced by Hurricane Katrina. Revenue and expenditures related to this grant were a result of Hurricane Katrina and were not included in the original budget.

- Budgeted amounts for revenue from sixteenth section sources in the Sixteenth Section Interest Fund were increased to more accurately reflect the revenue generated 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 special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets, before depreciation, were $9,639,916, including land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of $507,651 from the previous year. During the fiscal year, the District purchased ten school buses and various other items of mobile equipment and furniture and equipment. The District also disposed of a few items of furniture and equipment. Total depreciation expense for the year was $284,428. Total accumulated depreciation as of June 30, 2006 was $4,810,914, resulting in total net capital assets of $4,829,002.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	$ 33,084	33,084	0.0 %
Construction in progress		18,001	(100.0) %
Buildings	3,184,505	3,274,235	(2.7) %
Building improvements	398,641	416,379	(4.3) %
Improvements other than buildings	252,742	273,142	(7.5) %
Mobile equipment	177,507	212,537	(16.5) %
Furniture and equipment	27,565	37,084	(25.7) %
Leased property under capital leases	754,958	301,620	150.3 %
Total	$ 4,829,002	4,566,082	5.8 %

Debt Administration. At June 30, 2006, the District had $893,963 in long-term debt outstanding, of which $142,271 is due within one year. The District entered into a lease agreement that qualifies as a capital lease for accounting purposes for the purchase of ten new school buses totaling $557,000. During the fiscal year, the District made principal payments in the amount of $67,990 on capital leases and the liability for compensated absences decreased by $1,059.

	Outstanding Debt		Percentage
	2006	2005	Change
Obligations under capital leases	$ 793,746	304,736	160.5 %
Compensated absences payable	100,217	101,276	(1.0) %
Total	$ 893,963	406,012	120.2 %

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 rate has not increased or decreased significantly over the past several years. The District's 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 increased or decreased significantly from the previous fiscal year.

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.

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FINANCIAL STATEMENTS

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GREENE COUNTY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets
June 30, 2006

		Governmental Activities
Assets		
Cash and cash equivalents	$	3,781,823
Due from other governments		1,413,566
Other receivables, net		18,695
Inventories		37,742
Restricted assets		502,499
Capital assets, not being depreciated:		
Land		33,084
Capital assets, net of accumulated depreciation:		
Buildings		3,184,505
Building improvements		398,641
Improvements other than buildings		252,742
Mobile equipment		177,507
Furniture and equipment		27,565
Leased property under capital leases		754,958
Total Assets		10,583,327
Liabilities		
Accounts payable and accrued liabilities		932,068
Due to other governments		19,994
Unearned revenue		113,183
Interest payable on long-term liabilities		5,911
Long-term liabilities, due within one year		
Capital related liabilities		142,271
Long-term liabilities, due beyond one year		
Capital related liabilities		651,475
Non-capital related liabilities		100,217
Total Liabilities		1,965,119
Net Assets		
Invested in capital assets, net of related debt		4,035,256
Restricted net assets:		
Expendable:		
School-based activities		1,321,614
Capital improvements		1,117,152
Forestry improvements		109,019
Unemployment benefits		83,989
Non-expendable:		
Sixteenth section		523,564
Unrestricted		1,427,614
Total Net Assets	$	8,618,208

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, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 8,871,012	388,431	1,688,591		(6,793,990)
Support services	4,695,667		434,052		(4,261,615)
Non-instructional	1,094,851	161,366	807,504		(125,981)
Sixteenth section	19,441	26,670			7,229
Interest on long-term liabilities	15,079				(15,079)
Total Governmental Activities	$ 14,696,050	576,467	2,930,147	0	(11,189,436)

General Revenues:	
Taxes:	
General purpose levies	2,048,121
Unrestricted grants and contributions:	
State	8,600,689
Federal	17,054
Unrestricted investment earnings	106,284
Sixteenth section sources	235,570
Other	628,870
Total General Revenues	11,636,588
Change in Net Assets	447,152
Net Assets - Beginning	8,240,240
Prior Period Adjustments	(69,184)
Net Assets - Beginning - Restated	8,171,056
Net Assets - Ending	$ 8,618,208

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

GREENE COUNTY SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2006

		Major Funds					
		General Fund	Title I Low Grant Fund	Displaced Student Grant Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$	623,060			1,207,592	2,453,670	4,284,322
Due from other governments		160,439	436,464	306,475		409,587	1,312,965
Other receivables, net		18,039				656	18,695
Due from other funds		1,487,267				28,986	1,516,253
Inventories						37,742	37,742
Total Assets	$	2,288,805	436,464	306,475	1,207,592	2,930,641	7,169,977
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	$	708,133	45,278			178,657	932,068
Due to other funds		46,930	391,186	306,475	221,298	469,757	1,435,646
Unearned revenue						113,183	113,183
Total Liabilities		755,063	436,464	306,475	221,298	761,597	2,480,897
Fund Balances:							
Reserved for:							
Inventory						37,742	37,742
Capital projects						1,117,152	1,117,152
Unemployment benefits						83,989	83,989
Forestry improvement purposes						109,019	109,019
Permanent fund purposes						523,564	523,564
Unreserved:							
Undesignated, reported in:							
General Fund		1,533,742					1,533,742
Special Revenue Funds					986,294	297,578	1,283,872
Total Fund Balances		1,533,742	0	0	986,294	2,169,044	4,689,080
Total Liabilities and Fund Balances	$	2,288,805	436,464	306,475	1,207,592	2,930,641	7,169,977

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

GREENE COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

		Amount
Total Fund Balance - Governmental Funds	$	4,689,080
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $4,810,914.		4,829,002
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(893,963)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.		(5,911)
Total Net Assets - Governmental Activities	$	8,618,208

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

GREENE COUNTY SCHOOL DISTRICT

Exhibit D

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

	Major Funds					
	General Fund	Title I Low Grant Fund	Displaced Student Grant Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	$ 2,736,232				189,296	2,925,528
State sources	8,653,805				433,739	9,087,544
Federal sources	13,103	562,857	306,475		1,567,810	2,450,245
Sixteenth section sources				231,315	76,354	307,669
Total Revenues	11,403,140	562,857	306,475	231,315	2,267,199	14,770,986
Expenditures:						
Instruction	6,605,721	471,410	306,475		1,354,459	8,738,065
Support services	4,554,153	91,447			479,912	5,125,512
Noninstructional services					1,065,017	1,065,017
Sixteenth section					19,441	19,441
Debt Service:						
Principal					67,990	67,990
Interest					12,972	12,972
Total Expenditures	11,159,874	562,857	306,475	0	2,999,791	15,028,997
Excess (Deficiency) of Revenues over Expenditures	243,266	0	0	231,315	(732,592)	(258,011)
Other Financing Sources (Uses):						
Inception of capital leases	557,000					557,000
Insurance loss recoveries	372,216					372,216
Operating transfers in	118,441				653,757	772,198
Operating transfers out	(647,163)			(50,000)	(75,035)	(772,198)
Total Other Financing Sources (Uses)	400,494	0	0	(50,000)	578,722	929,216
Net Change in Fund Balances	643,760	0	0	181,315	(153,870)	671,205
Fund Balances:						
July 1, 2005	873,713			804,979	2,405,282	4,083,974
Prior period adjustments	16,269				(67,452)	(51,183)
July 1, 2005, as restated	889,982	0	0	804,979	2,337,830	4,032,791
Decrease in reserve for inventory	0	0	0	0	(14,916)	(14,916)
June 30, 2006	$ 1,533,742	0	0	986,294	2,169,044	4,689,080

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

GREENE COUNTY SCHOOL DISTRICT

Exhibit D-1

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

		Amount
Net Change in Fund Balances - Governmental Funds	$	671,205
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to $565,750 and the depreciation expense amounted to $284,428.		281,322
2. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		(557,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		67,990
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		(2,107)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.		(401)
6. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.		(14,916)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated absences		1,059
Change in Net Assets of Governmental Activities	$	447,152

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

GREENE COUNTY SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Assets and Liabilities

June 30, 2006

		Agency Funds
Assets		
Cash and cash equivalents	$	155,426
Due from other funds		19,994
Total Assets	$	175,420
Liabilities		
Due to other funds	$	100,601
Due to student clubs		74,819
Total Liabilities	$	175,420

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

(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.

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. 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 Fund 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 flow takes 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 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 federal revenue received under the Title I grants to local educational agencies program and the expenses directly related to these revenues.

Displaced Student Grant Fund - This is a Special Revenue Fund that accounts for federal revenue received and expenditures incurred associated with the instruction of displaced students resulting from Hurricane Katrina.

Sixteenth Section Interest Fund - This is a Special Revenue Fund that accounts for expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

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* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* 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 original maturities of three 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 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 an original maturity greater than three 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.

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 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	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term Liabilities.

Long-term liabilities are the unmatured 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 obligations are reported as liabilities in the governmental activities column. See Note 5 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 3 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 borrowing that are attributable to the acquisition, construction 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.

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 a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

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

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

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

Reserved for permanent fund purposes - 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 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.

(2) Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows: Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $4,284,322 and $155,426, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - $3,781,823 and restricted assets - $502,499. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $5,034,588.

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, 2006, none of the district's bank balance of $5,034,588 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

		Due From	Due To
Governmental Funds:			
General Fund	$	1,487,267	46,930
Title I Low Grant Fund			391,186
Displaced Student Grant Fund			306,475
Sixteenth Section Interest Fund			221,298
Other governmental funds		28,986	469,757
Total Governmental Funds		1,516,253	1,435,646
Fiduciary Funds		19,994	100,601
Total	$	1,536,247	1,536,247

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 the District Maintenance Fund to cover expenditures at year-end in order to avoid a deficit cash balance in those funds. This is the primary reason for the interfund loans reported above.

B. Transfers In/Out.

		Transfer In	Transfers Out
Governmental Funds:			
General Fund	$	118,441	647,163
Sixteenth Section Interest Fund			50,000
Other governmental funds		653,757	75,035
Total	$	772,198	772,198

The operating transfers above are primarily for the distribution of Mississippi Adequate Education Program (MAEP) funds from the General Fund to various funds and for the transfer of Sixteenth Section Principal and Interest Funds.

(4) Capital Assets.

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

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
Non-depreciable capital assets:						
Land	$ 33,084					33,084
Construction in progress	18,001				(18,001)	0
Total non-depreciable capital assets	51,085	0	0	0	(18,001)	33,084
Depreciable capital assets:						
Buildings	6,451,115					6,451,115
Building improvements	443,461					443,461
Improvements other than buildings	535,475					535,475
Mobile equipment	822,394	8,750				831,144
Furniture and equipment	286,810		40,098			246,712
Leased property under capital leases	541,925	557,000				1,098,925
Total depreciable capital assets	9,081,180	565,750	40,098	0	0	9,606,832
Less accumulated depreciation for:						
Buildings	3,176,880	89,730				3,266,610
Building improvements	27,082	17,738				44,820
Improvements other than buildings	262,333	20,400				282,733
Mobile equipment	609,857	43,780				653,637
Furniture and equipment	249,726	9,118	39,697			219,147
Leased property under capital leases	240,305	103,662				343,967
Total accumulated depreciation	4,566,183	284,428	39,697	0	0	4,810,914
Total depreciable capital assets, net	4,514,997	281,322	401	0	0	4,795,918
Governmental activities capital assets, net	$ 4,566,082	281,322	401	0	(18,001)	4,829,002

Depreciation expense was charged to the following governmental functions:

		Amount
Instruction	$	133,213
Support services		136,255
Non-instructional		14,960
Total Depreciation Expense	$	284,428

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.

An adjustment was needed to reduce the prior year balance in construction in progress to zero at fiscal year end. Costs incurred in the prior fiscal year that were related to an asset below the threshold amount were included on the prior year capital assets schedule in error.

(5) Long-term Liabilities.

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

		Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. Obligations under capital lease	$	304,736	557,000	67,990		793,746	142,271
B. Compensated absences payable		101,276		1,059		100,217	
Total	$	406,012	557,000	69,049	0	893,963	142,271

A. Obligations under capital leases.

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

A. Kitchen equipment - 60' restaurant range, two double convection ovens, tilt braising pan, electric fryer, and a Larkin exhaust hood.

B. School buses.

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 at end of lease period.

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

Year Ending June 30		Principal	Interest and Maintenance Charges	Total
2007	$	142,271	33,423	175,694
2008		140,099	29,979	170,078
2009		138,756	23,458	162,214
2010		111,720	16,753	128,473
2011		82,709	12,024	94,733
2012 - 2016		178,191	11,274	189,465
Total	$	793,746	126,911	920,657

This debt will be retired from the District Maintenance Fund (1120), the School Food Service Fund (2110), and the EEF Buildings and Buses Fund (2410).

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.

(6) 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.

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 employer rate for fiscal year ended June 30, 2006, was 10.75% 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, 2006, 2005 and 2004 were $827,863, $784,634 and $738,515, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Operating leases:

The school district has several operating leases for the following:

1. Xerox DC440AS 440S System copier.

2. Xerox DC460 Digital copier.

3. Kyocera KM-2550 copier.

Lease expenditures for the year ended June 30, 2006, amounted to $15,220. Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2007	$	11,463
2008		2,953
2009		173
Total	$	14,589

(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 therefrom 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 June 30		Amount
2007	$	55,788
2008		52,205
2009		12,061
2010		12,061
2011		12,061
2012 - 2016		60,305
2017 - 2021		59,815
2022 - 2026		58,183
2027 - 2031		32,210
Total	$	354,689

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

	Explanations		Amount
1.	An adjustment to correct a prior year error in recording capital assets.	$	(18,001)
2.	An adjustment to correct a prior year error in recording an asset or liability.		(51,183)
		Total $	(69,184)

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

Major Funds	Explanations		Amount
General Fund	An adjustment to correct a prior year error in recording an asset or a liability in the General Fund.	$	16,269
Other governmental funds	An adjustment to correct a prior year error in recording an asset or liability in other governmental funds.		(67,452)
		Total $	(51,183)

(10) 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. Except as described below, 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.

(I I) Subsequent Events.

Subsequent to June 30, 2006, Greene County School District entered into a three mill notes payable with Hancock Bank for the purchase of an air conditioning system at the high school. The note in the amount of $1,200,000 dated November I, 2007, had a rate of interest of 3.87% and a maturity date of September 1, 2016.

GREENE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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GREENE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,343,800	2,702,060	2,736,232	358,260	34,172
State sources	8,713,694	8,600,820	8,653,805	(112,874)	52,985
Federal sources	50,000	17,054	13,103	(32,946)	(3,951)
Total Revenues	11,107,494	11,319,934	11,403,140	212,440	83,206
Expenditures:					
Instruction	6,501,623	6,596,751	6,605,721	(95,128)	(8,970)
Support services	3,846,631	3,982,985	4,554,153	(136,354)	(571,168)
Noninstructional services	140,000			140,000	
Debt service:					
Principal		4,978		(4,978)	4,978
Interest	2,977			2,977	
Total Expenditures	10,491,231	10,584,714	11,159,874	(93,483)	(575,160)
Excess (Deficiency) of Revenues over Expenditures	616,263	735,220	243,266	118,957	(491,954)
Other Financing Sources (Uses):					
Inception of capital leases			557,000		557,000
Insurance loss recoveries		372,216	372,216	372,216	
Operating transfers in	1,051,239	1,082,481	118,441	31,242	(964,040)
Operating transfers out	(1,628,643)	(1,679,644)	(647,163)	(51,001)	1,032,481
Total Other Financing Sources (Uses)	(577,404)	(224,947)	400,494	352,457	625,441
Net Change in Fund Balances	38,859	510,273	643,760	471,414	133,487
Fund Balances:					
July 1, 2005	702,031	873,713	873,713	171,682	0
Prior period adjustment			16,269		16,269
July 1, 2005, as restated	702,031	873,713	889,982	171,682	16,269
Residual equity transfer in	0	68,441	0	68,441	(68,441)
June 30, 2006	$ 740,890	1,452,427	1,533,742	711,537	81,315

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, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 541,615	556,657	562,857	15,042	6,200
Total Revenues	541,615	556,657	562,857	15,042	6,200
Expenditures:					
Instruction	425,204	471,410	471,410	(46,206)	
Support services	115,851	85,247	91,447	30,604	(6,200)
Noninstructional services	45			45	
Total Expenditures	541,100	556,657	562,857	(15,557)	(6,200)
Excess (Deficiency) of Revenues over Expenditures	515	0	0	(515)	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	515	0	0	(515)	0
Fund Balances:					
July 1, 2005	0	0	0	0	0
June 30, 2006	$ 515	0	0	(515)	0

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

GREENE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Displaced Student Grant Fund
For the Year Ended June 30, 2006

		Budgeted Amounts		Actual	Variances Positive (Negative)	
		Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:						
Federal sources	$		394,691	306,475	394,691	(88,216)
Total Revenues		0	394,691	306,475	394,691	(88,216)
Expenditures:						
Instruction			394,691	306,475	(394,691)	88,216
Total Expenditures		0	394,691	306,475	(394,691)	88,216
Excess (Deficiency) of Revenues over Expenditures		0	0	0	0	0
Total Other Financing Sources (Uses)		0	0	0	0	0
Net Change in Fund Balances		0	0	0	0	0
Fund Balances:						
July 1, 2005		0	0	0	0	0
June 30, 2006	$	0	0	0	0	0

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

GREENE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2006

		Budgeted Amounts		Actual	Variances Positive (Negative)	
		Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:						
Local sources	$	5,000			(5,000)	
Sixteenth section sources		30,000	231,315	231,315	201,315	
Total Revenues		35,000	231,315	231,315	196,315	0
Total Expenditures		0	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures		35,000	231,315	231,315	196,315	0
Other Financing Sources (Uses):						
Operating transfers out		(40,000)	(50,000)	(50,000)	(10,000)	
Total Other Financing Sources (Uses)		(40,000)	(50,000)	(50,000)	(10,000)	0
Net Change in Fund Balances		(5,000)	181,315	181,315	186,315	0
Fund Balances:						
July 1, 2005		616,228	804,979	804,979	188,751	0
June 30, 2006	$	611,228	986,294	986,294	375,066	0

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules present 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 October 15. 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.

(3) Individual Fund Disclosures.

The Displaced Students SPED (2571) Fund in the amount of $74,760 was not budgeted. The unbudgeted fund is in violation of state law. However, the school district has no liability associated with this violation.

Individual funds that have an excess of expenditures over budget, including amounts of the excess, are as follows:

Individual Fund		Amount
School Food Service Fund	$	5,065
Special Education Fund		359
Stanford English Language Program Fund		251
Title I Fund		6,200
Leakesville Junior High School Capital Improvement Fund		14,240

The funds with an excess of expenditures over budget are not in violation of state law.

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SUPPLEMENTAL INFORMATION

GREENE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	$ 58,478
Child nutrition cluster:		
School breakfast program	10.553	239,101
National school lunch program	10.555	644,118
Total child nutrition cluster		883,219
Passed-through Greene County Board of Supervisors:		
Schools and roads - grants to states	10.665	13,102
Total U.S. Department of Agriculture		954,799
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	562,857
Vocational education - basic grants to states	84.048	21,996
Education technology state grants	84.318	14,733
Rural education	84.358	11,670
Improving teacher quality - state grants	84.367	189,437
Grants for state assessments and related activities	84.369	251
Hurricane education recovery act	84.938	381,235
Total		1,182,179
Special education cluster:		
Special education - grants to states	84.027	371,816
Special education - preschool grants	84.173	14,980
Total special education cluster		386,796
Total passed-through Mississippi Department of Education		1,568,975
Total U.S. Department of Education		1,568,975
Total for All Federal Awards		$ 2,523,774

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant 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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 11,584,579	9,008,854	449,589	728,735	1,397,401
Other	3,444,418	832,988	70,785	23,516	2,517,129
Total	$ 15,028,997	9,841,842	520,374	752,251	3,914,530
Total number of students*	1,788				
Cost per student	$ 8,405	5,504	291	421	2,189

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

Instruction and Other Student Instructional Expenditures - includes the 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, 2100, & 2200 functional codes).

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

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students on the ADA report submission for month 9, which is the final submission for the fiscal year.

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REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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*

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, 2006, which collectively comprise the Greene County School District's basic financial statements and have issued our report thereon dated March 6, 2008. 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 opinions 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. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 06-1, 06-2, 06-3, 06-4, 06-5, 06-6 and 06-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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.

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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 or other matters 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 6, 2008, 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.

STACEY E. PICKERING
State Auditor

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

March 6, 2008

State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

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, 2006. 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, 2006.

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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 the internal control over compliance in accordance with OMB Circular A-133.

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

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

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.

STACEY E. PICKERING
State Auditor

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

March 6, 2008

GREENE COUNTY SCHOOL DISTRICT

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

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

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, 2006, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated March 6, 2008. 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 $40,651 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:

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1. State Purchasing Laws Should Be Followed

Finding

During the fiscal year audited, Section 31-7-13, Miss. Code Ann. (1972), allowed purchases involving an expenditure of more than $3,500 but not more than $15,000, exclusive of freight and shipping charges, to be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. During the fiscal year audited, Section 31-7-13(c) Miss. Code Ann. (1972), allowed purchases involving an expenditure greater than $15,000, exclusive of freight and shipping charges, to be made from the lowest and best bidder after advertising for competitive sealed bids once each week for two consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located.

During our examination of 31 purchases greater than $3,501, totaling $753,302, the following items were noted:

A. The district obtained only one quote for materials for fiber installation. The cost of the installation of the fiber, excluding labor, was $8,102.

B. The district obtained only one quote for 10 air conditioning units totaling $14,535.

C. The district obtained quotes instead of advertising for bids for a walk-in freezer and a walk-in cooler totaling $19,545.

Inadequate controls over adherence to state purchasing laws resulted in this noncompliance.

Purchases being made without following the state purchasing statutes could result in the district not efficiently managing public funds.

Recommendation

We recommend that the district establish policies and procedures to ensure that the requirements of Section 31-7-13, Miss. Code Ann. (1972), are met. For items listed above requiring quotes or bids, the required documentation should be obtained before the items are approved for purchase by the purchasing agents of the district.

School District's Response

Quotes or bids will be required prior to issuance of a purchase order in accordance with Section 31-7-13, Miss. Code Ann. (1972).

2. District Should Have GASB Financial Statements Prepared By October 15th Deadline

Finding

Section 37-61-21(2), Miss. Code Ann. (1972), states on or before the fifteenth day of October of each year, the local school district, with the assistance of the school district superintendent, shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require.

The financials required were not completed by the district until May 1, 2007.

Recommendation

The district should comply with Section 37-61-21(2), Miss. Code Ann. (1972), by preparing the financial information on or before October 15th following the close of the fiscal year.

School District's Response

Clarification of the October 15th deadline for completion of GASB 34 adjustments will be sought from the State Department of Education. The district will comply with dates prescribed.

3. Related Party Transactions are Limited by State Statute

Finding

Section 25-4-105(1), Miss. Code Ann. (1972), states "No public servant shall use his official position to obtain pecuniary benefit for himself other than that compensation provided for by law, or to obtain pecuniary benefit for any relative or any business with which he is associated." Section 37-9-17(2), Miss. Code Ann. (1972), authorizes the school board to designate a personnel supervisor or another principal employed by the school district to accept recommendations of principals or their designees for licensed employees or non-instructional employees and transmit approved recommendations to the local school board. This authorization is restricted to no more than two (2) positions for each employment period for each school in the local school district.

During our review of the related parties, we noted that the superintendent recommended his wife as a licensed employee, instead of the district following the procedure allowed by Section 37-9-17(2), Miss. Code. (1972).

The cause of this situation could not be determined by the auditor.

An elected official recommending their relative as a licensed employee could be a violation of state ethics laws.

Recommendation

We recommend that the district comply with Section 37-9-17(2), Miss. Code. Ann. (1972), which allows the school board's designee, in place of the superintendent of education, to recommend employment of instructional and non-instructional employees to the school board to avoid a violation of Section 25-4-105(1), Miss. Code. Ann. (1972).

School District's Response

The board of education will designate an alternate administrator to make recommendations related to related parties.

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.

STACEY E. PICKERING
State Auditor

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

March 6, 2008

GREENE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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GREENE COUNTY SCHOOL DISTRICT

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

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(es) identified?	No
	b. Reportable condition(s) 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(es) identified?	No
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
6.	Any audit finding(s) reported as required by Section ___.510(a) of Circular A-133?	Yes
7.	Federal programs identified as major programs:	
	a. Child nutrition cluster CFDA #10.533 CFDA #10.555	
	b. Hurricane education recovery CFDA #84.938	
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

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses

06-1. Controls Concerning the Bank Reconciliation Process Should Be Strengthened

Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling monthly bank statements to the general ledger. In addition, good internal controls dictate that the district prepare accurate and timely bank reconciliations to ensure account balances are properly presented.

Two of the district's 29 bank accounts for the month of June 2006, were not accurately reconciled. We found the following weaknesses in the two bank accounts:

A. The original bank reconciliation given to the auditor indicated that the book balance on the bank reconciliation did not agree with the general ledger book balance at June 30, 2006, in the payroll clearing account in the amount of $526,280. Also, the original bank reconciliation given to the auditor for the accounts payable clearing account did not agree to the general ledger in the amount of $2,614. Once the auditor brought these discrepancies to the district's attention, corrections were made by the district.

B. The June 30, 2006, bank reconciliations were not prepared for these two accounts until April 2007. Therefore, the bank accounts were not properly reconciled in a timely manner in order to prepare accurate financial information to be given to the board monthly.

C. Activity funds revenue was recorded in the district's books on an annual basis, therefore, timely reconciliations could not be performed.

Proper internal controls were not in place to ensure that bank reconciliations were done accurately and timely.

Incorrect and untimely bank reconciliations at year-end could result in inaccurate presentation of the financial condition of the district.

Recommendation

We recommend the district ensure that all bank statements are reconciled monthly to the general ledger. Any differences should be investigated and resolved.

06-2. Controls Over Activity Fund Receipts Should Be Strengthened

Finding

Management is responsible for ensuring that all revenue earned is correctly recorded and deposited in order to safeguard the assets of the district. In addition, the school district has in place a procedure which utilizes a school event receipt form that requires the ticket seller to record the range of pre-numbered tickets checked out, sold and returned times the price per ticket to account for the cash received for ticket sales and requires the name of the person selling the tickets and the principal's signature.

While reviewing activity fund revenues for the month of January 2006, and seven home football games, we found that the district had inadequate controls with regard to safeguarding receipts. The following weaknesses were noted:

A. Nine deposits totaling $1,999 were deposited four to 11 days after the receipt date.

B. In the test of seven football games, we noted the following:

1. Three deposits were made four working days after the event.
2. None of the school event forms were properly signed by the principal.
3. Game sales could not be determined for one game due to beginning and ending ticket numbers not being completed on the school event receipt form.

Inadequate controls surrounding revenue collection could result in theft of assets and improper revenue recognition.

Recommendation

We recommend that the district implement policies and procedures to insure that assets are adequately safeguarded and revenue is properly recognized and recorded.

06-3. Controls Should Be Strengthened Related to the Claims Payable Function

Finding

Management is responsible for ensuring that transactions are properly recorded to permit the preparation of the financial statements in accordance with generally accepted accounting principles. Generally accepted accounting principals require claims payable to be presented on the financial statements when payment has not been made for expenditures that have been incurred.

During our search for unrecorded liabilities, we noted eight instances totaling $50,702 in a sample of 29 items in which the expenditures should have been recorded in the fiscal year 2006, but were recorded in the subsequent year. During our test of claims payable, we noted one expenditure in the amount of $8,840 that was paid in the fiscal year 2006, and was also recorded as a claims payable. In addition, one expenditure recorded as a claims payable in the amount of $1,112 for fiscal year 2006, should have been expensed in the subsequent year.

Adequate internal controls were not in place to properly record claims payable.

Inadequate internal controls related to claims payable could have resulted in the understatement of expenditures. However, audit adjustments were proposed and made by management to correct the financial statements.

Recommendation

We recommend management implement controls to ensure expenses are recorded within the correct fiscal year in accordance with generally accepted accounting principles.

06-4. Controls Surrounding Expenditures Should Be Strengthened

Finding

Establishing financial control over expenditures and the related payment cycle is required to maintain a proper internal control system.

During our test work of 57 accounts payable checks totaling $661,932, we noted:

A. In five instances totaling $3,243, purchase orders were not prepared for such things as uniform cleaning, pest control, milk products and food items.

B. In ten instances totaling $31,952, the purchase orders were not complete.

C. In two instances totaling $375, the purchase orders were dated after the invoice date.

D. In 14 instances totaling $30,889, there were no signatures for receipt of goods or for approval of payment of invoices for various types of purchases.

E. In one instance, sales tax in the amount of $259 was paid for the purchase of uniforms.

F. In one instance, approval was not acquired for the reimbursement for travel.

Adequate internal controls were not in place in regards to the purchase/expenditure function.

Inadequate internal controls relating to the expenditures and disbursements cycle could result in misappropriation or loss of assets.

Recommendation

We recommend that the district implement policies and procedures to ensure that purchase orders are properly prepared and all expenditures have adequate supporting documentation reviewed by the district before payments are made.

06-5. School Board Should Approve All Activity Fund Expenditures

Finding

Section 37-9-14(3), Miss. Code Ann. (1972), requires an order of the school board approving payment of all pay certificates for expenditures of each school district. Ensuring that approval is obtained for all payment warrants is important in establishing a strong internal control system.

We found that controls were not in place to ensure that all pay certificates were being included in the claims docket for approval by the school board. Checks in the amount of $42,626 paid from activity funds were not included in the claims docket and were not approved by the school board. However, no improper payments came to the auditor's attention.

Adequate internal controls were not in place relating to the activity fund expenditures.

Inadequate internal controls over manual check procedures in activity funds resulted in expenditures not being approved by the school board.

Recommendation

We recommend that the district comply with Section 37-9-14(3), Miss. Code Ann. (1972), thereby ensuring all disbursements are included in the claims docket and approved by the school board.

06-6. Payroll Expenditures Should Be Supported by Adequate Documentation

Finding

Management is responsible for ensuring that support for all expenditures made by the district is adequately documented.

During our payroll expenditure testing, we found that the supporting documentation for nonexempt employees was incomplete, nonexistent or was not used to calculate the amount of salary an employee had earned.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation.

Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records for all nonexempt personnel to support payroll expenditures.

06-7. Safeguards Should Be Used Concerning the District's Tax Identification Number

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records, which includes ensuring that all school related activities are properly recorded on the financial statements of the school district.

Three outside organizations, Greene County Band Boosters, Leakesville Junior High PTO and McLain School PTO, opened bank accounts using the school district's federal tax identification number without permission from the school district. The school can choose to maintain this type of account in a fiduciary capacity, however, there was no indication that the school district was accepting responsibility for these funds. These accounts were not reported in the district's accounting records or financial statements.

Proper controls were not in place to detect the existence of unauthorized bank accounts.

Without proper controls being in place to account for all bank accounts, the district increases the risk that cash collected from students that should be recorded as activity fund revenue could be diverted to outside organizations or individuals.

Recommendation

We recommend that management implement controls to periodically check with local banking institutions to ensure that no unauthorized accounts have been opened using the district's employer identification number or in the district's name.

Section 3: Federal Award Findings and Questioned Costs

Reportable Condition Not Considered to be a Material Weakness

06-8. Interest on Capital Leases is Not an Allowable Cost

Finding

Program: Passed-through the Mississippi Department of Education: Child nutrition program; CFDA#s 10.553 and 10.555

Compliance requirement: Allowable costs/cost principles

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures manual, which states that one cost that child nutrition program funds cannot be used for as noted by USDA, FNS Instruction 796-1 Rev. 2 is interest and financial costs.

We noted that the school district paid $1,408 for interest on a capital lease from child nutrition funds.

This noncompliance occurred because of inadequate controls relating to child nutrition fund expenditures.

Inadequate controls could result in paying unallowable cost by a federal program.

Recommendation

We recommend that the district implement procedures to review all claims of federal programs after considering program guidelines. The district should reimburse the federal fund for these unallowable costs.

GREENE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

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GREENE COUNTY SCHOOL DISTRICT
Richard L. Fleming, Superintendent of Education

Dennis Cochran, Business Administrator * 601-394-2740* Fax: 601-394-5542 * Email: dcochran@greene.k12.ms.us

March 10, 2008

Mississippi State Auditor
Financial Compliance and Audit Division
Jackson, Mississippi

As required by Section_.315(c) of OMB Circular A-133 the Greene County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned costs for the year ended June 30, 2006:

Finding		Corrective Action Plan Details
06-01	a.	Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740
	b.	Corrective Action Planned: Reconciliations to general ledger accounts will be performed monthly. Any differences will be investigated and resolved.
	c.	Anticipated Completion Date: March 31, 2008
06-02	a.	Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740
	b.	Corrective Action Planned: Professional development with School Principals and Secretaries to review depositing requirements and school activity event forms
	c.	Anticipated Completion Date: Completed on June 6, 2007
06-03	a.	Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740
	b.	Corrective Action Planned: Claim dockets after fiscal-year-end will be reviewed for inclusion in the fiscal year-end claims payables.

c. Anticipated Completion Date: September 30, 2008

06-04

a. Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740

b. Corrective Action Planned: Professional Development will be conducted with school personnel responsible for placing and receiving goods. Documentation will be reviewed prior to issuance of purchase orders and/or claims submitted for payment.

c. Anticipated Completion Date: March 31, 2008

06-05

a. Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740

b. Corrective Action Planned: Payments made from school activity fund accounts will be submitted for inclusion on claims docket and approved by school board.

c. Anticipated Completion Date: Process began August 31, 2007

06-06

a. Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740

b. Corrective Action Planned: Advise Superintendent and Board of Education members of need for automated time-keeping and reporting system.

c. Anticipated Completion Date: Performed on May 14, 2007 and will be updated on March 10, 2008.

06-07

a. Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740

b. Corrective Action Planned: Inform local financial institutions that no accounts shall be opened using school district tax identification number without authority of school district administration.

Verification of all accounts listed under district's tax identification number will be performed annually.

c. Anticipated Completion Date: March 31, 2008

06-08

a. Name of Contact Person Responsible for Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740

b. Corrective Action Planned: Secretary performing coding of lease payments will be advised of proper coding of interest expense and reimbursement from district maintenance to federal program for previous expenses.

c. Anticipated Completion Date: April 30, 2008.

Sincerely,

Dennis Cochran

Dennis Cochran
Business Administrator