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GREENE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

Presented by:
Dribben & Associates, Ltd.
Albert F. Dribben, CPA
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McComb, MS 39649-1411



GREENE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL AUDIT REPORT	5
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information.....	7
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	9
Management's Discussion and Analysis.....	11
FINANCIAL STATEMENTS	19
Statement of Net Assets.....	21
Statement of Activities.....	22
Balance Sheet- Governmental Funds.....	23
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	25
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	26
Statement of Fiduciary Assets and Liabilities.....	27
Notes to the Financial Statements.....	28
REQUIRED SUPPLEMENTAL INFORMATION.....	43
Budgetary Comparison Schedule – General Fund.....	45
Budgetary Comparison Schedule – School Food Service Fund.....	46
Budgetary Comparison Schedule – Title I Low Grant Fund	47
Budgetary Comparison Schedule—Sixteenth Section Interest Fund.....	48
Notes to the Required Supplemental Information.....	49
SUPPLEMENTAL INFORMATION.....	51
Schedule of Expenditure of Federal Awards	53
Schedule of Instructional, Administrative and Other Expenditures -- Governmental Funds	54
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	55
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 <i>Governmental Auditing Standards</i>	57
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	59
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	61
Independent Auditor's Report on Compliance with State Laws and Regulations	63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	65
Schedule of Findings and Questioned Costs.....	67
AUDITEE'S CORRECTIVE ACTION PLAN	73
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	77

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

February 20, 2009

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, 2007, 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, 2007, 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 February 20, 2009, 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.

The Management's Discussion and Analysis on pages 9 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 45 through 49 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.

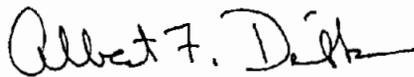
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Al Dribben, CPA

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Greene County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben". The signature is written in dark ink and is positioned above the typed name.

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

GREENE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

Richard L. Fleming, Superintendent of Education

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

The discussion and analysis of Greene County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$591,620, which represents less than a 10% increase from fiscal year 2006. This increase in net assets is primarily due to an increase in Mississippi Adequate Education Program (MAEP) funds received during the fiscal year, insurance loss recoveries resulting from damages caused by Hurricane Katrina and sixteenth section sources generated during the fiscal year primarily from the sale of timber, sixteenth section leases and the sale of nonrenewable resources.
- General revenues accounted for \$12,015,710 in revenue, or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,753,959 or 24% of total revenues.
- The District had \$15,144,313 in expenses; only \$3,753,959 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,015,710 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,065,307 in revenues and \$11,383,222 in expenditures. After net other financing uses of \$342,633 and prior period adjustments of (\$34,870), the net change in fund balance for the General Fund was an increase of \$304,582 from the previous fiscal year. This increase is primarily a result of the increased amount of revenue from state sources received under the Mississippi Adequate Education Program (MAEP) and insurance loss recoveries resulting from damages caused by Hurricane Katrina.
- Capital assets, net of accumulated depreciation, decreased by \$253,674 due primarily to the current year depreciation of the capital assets.
- Long-term debt decreased by \$132,209 due primarily to principal payments made during the fiscal year on existing long-term debt...

OVERVIEW OF FINANCIAL STATEMENTS

The 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 differences 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 debt 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 governments-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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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 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 operation budget for all governmental funds. A budgetary comparison schedule 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 Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$9,209,828 as of June 30, 2007.

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. \$3,923,854 of the District net assets (42%) reflected its investment in capital assets (e. g., land, construction in progress, 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. \$3,557,930 of the District's net assets (39%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt services, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for the sixteenth section investment purposes. \$1,728,044 of the District's net assets (19%) 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 tables present a summary of the District's net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	Percentage <u>Change</u>
Current assets	\$ 5,131,733	5,251,826	-2.3%
Other assets	655,889	502,499	30.5%
Capital assets, net	4,575,328	4,829,002	-5.3%
Total assets	<u>10,362,950</u>	<u>10,583,327</u>	-2.1%
Current liabilities	391,368	1,071,156	-63.5%
Long-term debt outstanding	761,754	893,963	-14.8%
Total liabilities	<u>1,153,122</u>	<u>1,965,119</u>	-41.3%
Net assets:			
Invested in capital assets, net of related debt	3,923,854	4,035,256	-2.8%
Restricted	3,557,930	3,155,338	12.8%
Unrestricted	1,728,044	1,427,614	21.0%
Total net assets	<u>\$ 9,209,828</u>	<u>8,618,208</u>	6.9%

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

- Other (restricted) assets increased from the previous fiscal year due to the increase in the balance of cash and cash equivalents in the 16th Section Principal Fund, which is reported as restricted assets because the cash is not available for use by the district except as provided for under state statute for loans from this account..
- Capital assets decreased from the previous fiscal year due primarily to the current year depreciation on the capital assets.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities. In the previous fiscal year, the liability associated with accrued payroll at the end of the fiscal year was reported in the governmental funds. However, in the current fiscal year, the accrued payroll liability is reported in the fiduciary funds at fiscal year end.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities, debt service and sixteenth section purposes.
- Unrestricted net assets increased from the previous fiscal year due primarily to an increase in the fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$15,769,669. The total cost of all programs and services was \$15,144,313. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

Revenues:	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Percentage Change</u>
Program revenues			
Charges for services	\$ 1,149,423	576,467	99.4%
Operating grants and contributions	2,604,536	2,930,147	-11.1%
General revenues			
Property taxes	2,261,808	2,048,121	10.4%
Grants and contributions not restricted	9,307,452	8,617,743	8.0%
Other	446,450	970,724	-54.0%
Total revenues	<u>15,769,669</u>	<u>15,143,202</u>	4.1%
Expenses:			
Instruction	8,659,100	8,871,012	-2.4%
Support services	5,186,431	4,695,667	10.5%
Non-instructional	1,241,555	1,094,851	13.4%
Sixteenth Section	16,362	19,441	-15.8%
Interest and other expenses on long-term liabilities	40,865	15,079	171.0%
Total expenses	<u>15,144,313</u>	<u>14,696,050</u>	3.1%
Increase in net assets	625,356	447,152	39.9%
Net Assets, July 1	8,618,208	8,240,240	4.6%
Prior period adjustment	<u>(33,736)</u>	<u>(69,184)</u>	-51.2%
Net Assets, restated, July 1	<u>8,584,472</u>	<u>8,171,056</u>	5.1%
Net Assets, June 30	<u>\$ 9,209,828</u>	<u>8,618,208</u>	6.9%

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

- Program revenues increased from the previous fiscal year due primarily to insurance loss recoveries received during the fiscal year resulting from damages caused by Hurricane Katrina. The insurance loss recoveries were reported as charges for services in the current fiscal year but were reported as other general revenues in the previous fiscal year.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in Mississippi Adequate Education Program (MAEP) funds.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2007, and comparative data for the fiscal year ended June 30, 2006, the cost of five major District functional activities: instructional, 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 the 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.

	2007		2006	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$ 8,659,100	(6,960,070)	\$ 8,871,012	(6,793,990)
Support services	5,186,431	(4,147,845)	4,695,667	(4,261,615)
Non-instructional	1,241,555	(227,999)	1,094,851	(125,981)
Sixteenth Section	16,362	(13,575)	19,441	7,229
Interest and other expenses on long-term liabilities	40,865	(40,865)	15,079	(15,079)
	<u>\$15,144,313</u>	<u>(11,390,354)</u>	<u>\$ 14,696,050</u>	<u>(11,189,436)</u>

- The net cost of governmental activities for fiscal year 2007 in the amount of \$11,390,354 was financed by general revenue, which is made up of primarily property taxes of \$2,261,808 and state revenue of \$9,280,678.
- Investment earnings accounted for \$151,040 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District used 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 balances 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, 2007, its governmental funds reported a combined fund balance of \$5,403,935. The net change in fund balance for the fiscal year was an increase of \$696,144 due primarily to an increase in Mississippi Adequate Education Program (MAEP) funds received during the fiscal year, insurance loss recoveries resulting from damages caused by Hurricane Katrina and sixteenth section sources generated during the fiscal year primarily from the sale of timber, sixteenth section leases and the sale of nonrenewable resources. \$3,289,755, or 61%, 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 \$2,114,180, or 39%, 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, unemployment benefits, forestry improvements, capital project purposes 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 \$304,582 due primarily to increased amount of revenue from state sources received under the Mississippi Adequate Education Program (MAEP) and insurance loss recoveries resulting from damages caused by Hurricane Katrina. The net change in fund balance for the School Food Service Fund for the fiscal year was a decrease of \$7,393. The net change in fund balance for the Title I Low Grant Fund for the fiscal year was an increase of \$780. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$121,195 due primarily to sixteenth section sources generated during the fiscal year mainly from sixteenth section leases, the sale of timber and earnings on investments. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was an increase of \$132,325 due primarily to sixteenth section sources generated during the fiscal year mainly from the sale of nonrenewable resources and earnings on investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$163,366 due primarily to the transfer of funds from the General Fund to cover the cost of current year operations.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenues from local sources in the General Fund were increased primarily to the increase in ad valorem receipts during the year. The amount originally budgeted was understated.
- Budgeted amounts for revenue from state sources in the General Fund were increased to reflect the increase in Mississippi Adequate Education Program funds received during the fiscal year. The original budgeted amounts were understated.
- Budgeted amounts for instruction and support services expenditures in the General Fund were increased to reflect actual expenditures incurred during the fiscal year. The original budgeted amounts were understated.
- The budget for the General Fund was revised to reflect insurance loss recoveries during the fiscal year resulting from damages caused by Hurricane Katrina.
- The budget was revised in various funds receiving state and federal funding to reflect the actual revenue received and expenditures incurred 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, 2007, the District's total capital assets, before depreciation, were \$9,692,925, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$53,009 from the previous year. During the fiscal year, the District purchased various items of mobile equipment and furniture and equipment and began construction on the new Sand Hill Gym. Total depreciation expense for the year was \$320,129. Total accumulated depreciation as of June 30, 2007 was \$5,117,597, resulting in total net assets of \$4,575,328.

	Capital Assets, Net of Depreciation		Percentage Change
	2007	2006	
Land	\$ 33,084	33,084	0.0%
Construction in progress	95,704	-	
Buildings	3,079,688	3,184,505	-3.3%
Building improvements	380,902	398,641	-4.4%
Improvements other than buildings	242,415	252,742	-4.1%
Mobile equipment	147,587	177,507	-16.9%
Furniture and equipment	31,825	27,565	15.5%
Leased property under capital leases	564,123	754,958	-25.3%
Total	<u>\$ 4,575,328</u>	<u>4,829,002</u>	-5.3%

Debt administration. At June 30, 2007, the District had \$761,754 in long-term debt outstanding, of which \$143,408 is due within one year. During the fiscal year, the District made principal payments in the amount of 142,272 on existing long-term debt.

	Outstanding Debt		Percentage Change
	2007	2006	
Obligations under capital leases	651,474	793,746	-17.9%
Compensated absences payable	110,280	100,217	10.0%
	<u>\$ 761,754</u>	<u>893,963</u>	-14.8%

Additional information of the district's long-term debt can be found in Note 6 on page 37 of this report.

CURRENT ISSUES

The Greene County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. In addition, 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

GREENE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,818,382
Due from other governments	261,487
Other receivables, net	18,000
Inventories	33,864
Restricted assets	655,889
Capital assets, non-depreciable:	
Land	33,084
Construction in progress	95,704
Capital assets, net of accumulated depreciation:	
Buildings	3,079,688
Building improvements	380,902
Improvements other than buildings	242,415
Mobile equipment	147,587
Furniture and equipment	31,825
Leased property under capital leases	564,123
Total Assets	<u><u>10,362,950</u></u>
Liabilities	
Accounts payable and accrued liabilities	128,736
Due to other governments	16,385
Unearned revenue	238,566
Interest payable on long-term liabilities	7,681
Long-term liabilities, due within one year	
Capital related liabilities	140,099
Non-capital related liabilities	3,309
Long-term liabilities, due beyond one year	
Capital related liabilities	511,375
Non-capital related liabilities	106,971
Total Liabilities	<u><u>1,153,122</u></u>
Net Assets	
Investment in capital assets, net of related debt	3,923,854
Restricted net assets:	
Expendable:	
School - based activities	1,485,295
Debt service	142,142
Capital improvements	1,097,642
Forestry improvements	105,826
Unemployment benefits	71,136
Non-expendable:	
Sixteenth section	655,889
Unrestricted	<u>1,728,044</u>
Total Net Assets	<u><u>\$ 9,209,828</u></u>

GREENE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 8,659,100	427,895	1,271,135	-	(6,960,070)
Support services	5,186,431	514,997	523,589	-	(4,147,845)
Non-instructional	1,241,555	203,744	809,812	-	(227,999)
Sixteenth section	16,362	2,787	-	-	(13,575)
Interest on long-term liabilities	40,865	-	-	-	(40,865)
Total governmental activities	\$ 15,144,313	1,149,423	2,604,536	-	(11,390,354)
General Revenues:					
Taxes:					
General purpose levies					2,111,985
Debt purpose levies					149,823
Unrestricted grants and contributions:					
State					9,280,678
Federal					26,774
Unrestricted investment earnings					151,040
Sixteenth section sources					201,528
Other					93,882
Total General Revenues					12,015,710
Change in Net Assets					625,356
Net Assets - Beginning					8,618,208
Prior Period Adjustments:					(33,736)
Net Assets - Beginning - Restated					8,584,472
Net Assets - Ending					\$ 9,209,828

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

GREENE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2007

Exhibit C

Major Funds	School Food Service Fund		Title I Low Grant Fund		16th Section Interest Fund		16th Section Principal Fund		Other Governmental Funds		Total Governmental Funds	
	General Fund											
ASSETS												
Cash and cash equivalents	\$ 1,445,413	230,500	60,673	1,107,489	655,889				1,974,307			5,474,271
Due from other governments	173,048	-	33,564	-	-				33,992			240,604
Other receivables, net	18,000	-	-	-	-				-			18,000
Due from other funds	316,699	12,155	-	-	-				-			328,854
Inventories	-	33,864	-	-	-				-			33,864
Total Assets	<u>1,953,160</u>	<u>276,519</u>	<u>94,237</u>	<u>1,107,489</u>	<u>655,889</u>				<u>2,008,299</u>			<u>6,095,593</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued liabilities	102,527	10,788	2,271	-	-				13,150			128,736
Due to other funds	12,309	191,095	91,186	-	-				29,766			324,356
Unearned revenue	-	-	-	-	-				238,565			238,565
Total Liabilities	<u>114,836</u>	<u>201,883</u>	<u>93,457</u>	<u>-</u>	<u>-</u>				<u>281,481</u>			<u>691,657</u>
Fund Balances:												
Reserved for:												
Inventory	-	33,864	-	-	-				-			33,864
Capital projects	-	-	-	-	-				1,097,642			1,097,642
Unemployment benefits	-	-	-	-	-				71,136			71,136
Forestry improvement purposes	-	-	-	-	-				105,826			105,826
Debt service purposes	-	-	-	-	-				149,823			149,823
Permanent fund purposes	-	-	-	-	655,889				-			655,889
Unreserved:												
Undesignated, reported in:												
General fund	1,838,324	-	-	-	-				-			1,838,324
Special revenue funds	-	40,772	780	1,107,489	-				302,390			1,451,431
Total Fund Balances	<u>1,838,324</u>	<u>74,636</u>	<u>780</u>	<u>1,107,489</u>	<u>655,889</u>				<u>1,726,817</u>			<u>5,403,935</u>
Total Liabilities and Fund Balances	<u>\$ 1,953,160</u>	<u>276,519</u>	<u>94,237</u>	<u>1,107,489</u>	<u>655,889</u>				<u>2,008,298</u>			<u>6,095,592</u>

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

GREENE COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 5,403,935
 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 \$5,117,597.	4,575,328
2. Liabilities are not due and payable in the current period and therefore are not reported in the funds.	(761,754)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(7,681)
 Total Net Assets - Governmental Activities	 <u><u>\$ 9,209,828</u></u>

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

GREENE COUNTY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2007

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I Low Grant Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 2,696,696	216,111	-	36,432	-	173,186	3,122,425
State sources	9,341,837	5,627	-	-	-	387,922	9,735,386
Federal sources	26,774	875,025	545,347	-	-	729,456	2,176,602
Sixteenth section sources	-	-	-	84,763	132,325	3,171	220,259
Total Revenues	12,065,307	1,096,763	545,347	121,195	132,325	1,293,735	15,254,672
Expenditures:							
Instruction	6,963,770	-	412,538	-	-	1,260,585	8,636,893
Support services	4,162,881	99,412	132,029	-	-	498,859	4,893,181
Noninstructional services	122,800	1,128,568	-	-	-	-	1,251,368
Sixteenth section	-	-	-	-	-	16,362	16,362
Facilities acquisition and construction	-	-	-	-	-	95,704	95,704
Debt service:							
Principal	99,552	13,856	-	-	-	28,864	142,272
Interest	34,219	-	-	-	-	4,876	39,095
Total Expenditures	11,383,222	1,241,836	544,567	-	-	1,905,250	15,074,875
Excess (Deficiency) of Revenues Over Expenditures	682,085	(145,073)	780	121,195	132,325	(611,515)	179,797
Other Financing Sources (Uses):							
Sale of transportation equipment	1,350	-	-	-	-	-	1,350
Operating transfers in	1,040,529	105,000	-	-	-	753,980	1,899,509
Insurance loss recoveries	514,997	-	-	-	-	-	514,997
Operating transfers out	(1,899,509)	-	-	-	-	-	(1,899,509)
Total Other Financing Sources (Uses)	(342,633)	105,000	-	-	-	753,980	516,347
Net Change in Fund Balances	339,452	(40,073)	780	121,195	132,325	142,465	696,144
Fund Balances:							
July 1, 2006	1,533,742	82,029	-	986,294	523,564	1,563,451	4,689,080
Prior period adjustments	(34,870)	36,558	-	-	-	20,901	22,589
July 1, 2006, as restated	1,498,872	118,587	-	986,294	523,564	1,584,352	4,711,669
Increase (Decrease) in reserve for inventory	-	(3,878)	-	-	-	-	(3,878)
June 30, 2007	1,838,324	74,636	780	1,107,489	655,889	1,726,817	5,403,935

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

GREENE COUNTY SCHOOL DISTRICT
 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, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in fund balances - governmental funds	\$ 696,144
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 \$137,963 and the depreciation expense amounted to \$320,129.	(182,166)
2. 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.	142,272
3. Governmental funds recognized 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.	(1,770)
4. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(15,183)
5. Increases (decreases) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	(3,878)
6. 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	(10,063)
Change in Net Assets of Governmental Activities	<u>\$ 625,356</u>

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

GREENE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 850,160
Due from other funds	<u>16,385</u>
Total Assets	<u><u>866,545</u></u>
Liabilities	
Accounts payable and accrued liabilities	777,716
Due to other funds	20,883
Due to student clubs	<u>67,946</u>
Total Liabilities	<u><u>\$ 866,545</u></u>

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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(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 statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2007

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.

School Food Service Fund – This fund is a Special Revenue Fund that accounts for the revenues received under the USDA child nutrition program, the State of Mississippi, and from the sale of meals to students and teachers.

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

Sixteenth Section Interest Fund – This is a Special Revenue Fund that accounts for expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from investment of sixteenth section funds.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

Sixteenth Section Principal Fund - This is a permanent fund used to account for resources from sixteenth section lands 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.

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.

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

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 Financial 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.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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

	Capitalization Policy	Estimated Useful Life
	\$ 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.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, 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 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 capital project purposes - An account that represents a portion of the fund balance that is legally restricted for the construction of capital assets.

Reserved for debt service - An account that represents that portion of fund balance in Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

Unreserved, undesignated – An account that represents the portion of fund balance that is expendable available financial resources.

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 district's 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 Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,474,271 and \$850,160 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$4,818,382 and restricted assets \$655,889. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$6,987,195.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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, 2007, none of the district's bank balance of \$6,987,195 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	\$ 316,699	12,309
School Food Service Fund	12,155	191,095
Title I Low Grant Fund		91,186
Other governmental funds		29,766
Agency Funds	16,385	20,883
 Total Funds	 \$ 345,239	 345,239

The interfund loans are primarily for amounts loaned between funds to cover expenses while awaiting reimbursement of federal funds.

B. Transfers In/Out.

	Transfers In	Transfers Out
Governmental Funds:		
General fund	\$ 1,040,529	1,899,509
School Food Service Fund	105,000	-
Other governmental funds	753,980	-
 Total Funds	 \$ 1,899,509	 1,899,509

The above transfers were for distribution of MAEP monies to various funds and the transfer of funds to the School Food Service Fund from the General Fund.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(4) Capital Assets.

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

	Balance 7/1/2006	Additions	Retirements	Adjustments	Balance 6/30/2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 33,084	-	-	-	33,084
Construction in Progress	-	95,704	-	-	95,704
Total non-depreciable capital assets	<u>33,084</u>	<u>95,704</u>	<u>-</u>	<u>-</u>	<u>128,788</u>
<u>Depreciable capital assets:</u>					
Buildings	6,451,115	-	(75,441)	-	6,375,674
Building improvement	443,461	-	-	-	443,461
Improvements other than buildings	535,475	-	-	-	535,475
Mobile equipment	831,144	15,059	-	-	846,203
Furniture and equipment	246,712	27,200	(9,513)	-	264,399
Leased property under Capital Leases	<u>1,098,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,098,925</u>
Total depreciable capital assets	<u>9,606,832</u>	<u>42,259</u>	<u>(84,954)</u>	<u>-</u>	<u>9,564,137</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(3,266,610)	(89,730)	60,353	1	(3,295,986)
Building improvement	(44,820)	(17,738)	-	(1)	(62,559)
Improvements other than buildings	(282,733)	(10,327)	-	-	(293,060)
Mobile equipment	(653,637)	(27,979)	-	(17,000)	(698,616)
Furniture and equipment	(219,147)	(13,428)	9,418	(9,417)	(232,574)
Leased property under Capital Leases	<u>(343,967)</u>	<u>(160,927)</u>	<u>-</u>	<u>(29,908)</u>	<u>(534,802)</u>
Total accumulated depreciation	<u>(4,810,914)</u>	<u>(320,129)</u>	<u>69,771</u>	<u>(56,325)</u>	<u>(5,117,597)</u>
Total depreciable capital assets, net	<u>4,795,918</u>	<u>(277,870)</u>	<u>(15,183)</u>	<u>(56,325)</u>	<u>4,446,540</u>
Governmental activities capital assets, net	<u>\$ 4,829,002</u>	<u>(182,166)</u>	<u>(15,183)</u>	<u>(56,325)</u>	<u>4,575,328</u>

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 15,163
Support services	300,159
Non-instructional	4,807
Total depreciation expense	\$ 320,129

Commitments under construction contracts at June 30, 2007, are summarized as follows:

	Remaining Commitment	Required Future Financing
Sandhill Gym	\$ 1,834,106	-

Note: The gym construction is being financed with insurance proceeds and FEMA monies.

(5) Long-term liabilities.

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

	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007	Amount Due within one year
A. Obligations under capital lease	\$ 793,746	-	(142,272)	651,474	140,099
B. Compensated absences payable	100,217	10,063	-	110,280	3,309
Total	\$ 893,963	10,063	(142,272)	761,754	143,408

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.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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 the end of the lease period.

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

Year Ending June 30	Principal	Interest	Total
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	86,896	7,837	94,733
2013-2017	91,294	3,437	94,731
Total	\$ 651,474	93,488	744,962

The debt will be retired from the District Maintenance Fund (1120), The School Food Service Fund (2110), and the EEF Building 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 rate for fiscal year ended June 30, 2007, was 11.30% 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, 2007, 2006 and 2005 were \$1,034,028, \$827,863, and \$784,634, respectively, which equaled the required contributions for each year.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(7) Other Commitments.

Operating lease:

The school district has an operating lease for the following:

Kyocera KM-2550 copier.

Lease expenditures for the year ended June 30, 2007, amounted to \$2,076.

Year Ending June 30	Amount
2008	\$ 2,076
2009	1,211
Total	\$ 3,287

(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.

Sixteenth Section Leases	
Year Ending June 30	Amount
2008	\$ 47,610
2009	10,346
2010	10,346
2011	10,346
2012	10,346
2013-2017	51,730
2018-2022	51,035
2023-2027	50,005
2028-2032	30,704
Total	\$ 272,468

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. To record capital assets purchase in a prior year and correct balances in prior year depreciation.	\$ (56,325)
2. To correct recording of prior year adjustments and correct beginning fund balance in various funds.	22,589
Total	\$ (33,736)

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

Major funds:	Explanations	Amount
General Fund	To correct the recording of prior year adjustments and to correct beginning fund balances.	\$ (34,870)
School Food Service Fund	To correct the recording of prior year adjustments and to correct beginning fund balances.	36,558
Other governmental funds	To correct the recording of prior year audit adjustments and correct beginning fund balances.	20,901
Total		\$ 22,589

(10) Litigation

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the school district with respect to various proceedings. However, the school district's legal counsel believes that there is no litigation or threatened proceedings at present that will have a material adverse effect on the financial condition of the school district.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2007

(11) 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 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 the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

(12) Subsequent Events.

On September 24, 2007 the board accepted a contract for heating and air conditioning work at the high school in the amount of \$868,764, with work to be done at night.

On November 1, 2007, the school district issued a Three-Mill Note Payable in the amount of \$1,200,000 with a rate of interest of 3.87% and a maturity date of September 1, 2016.

On March 10, 2008, the board was advised that the cost of the new gym at Sand Hill totaled \$831,552 and would be totally paid by insurance, the Mississippi Emergency Management Agency funds and the Federal Emergency Management Agency funds.

On the same date, the board approved a transfer of \$255,800 from 16th Section Interest for buses and technology purchases.

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,343,800	2,690,726	2,696,696	346,926	5,970
State sources	8,713,694	9,326,599	9,341,837	612,905	15,238
Federal sources	50,000	42,011	26,774	(7,989)	(15,237)
Total Revenues	<u>11,107,494</u>	<u>12,059,336</u>	<u>12,065,307</u>	<u>951,842</u>	<u>5,971</u>
Expenditures:					
Instruction	6,501,623	6,963,770	6,963,770	(462,147)	-
Support services	3,846,631	4,162,881	4,162,881	(316,250)	-
Noninstructional services	140,000	122,800	122,800	17,200	-
Debt services:					
Principal	-	105,192	99,552	(105,192)	5,640
Interest	2,977	28,579	34,219	(25,602)	(5,640)
Total Expenditures	<u>10,491,231</u>	<u>11,383,222</u>	<u>11,383,222</u>	<u>(891,991)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	616,263	676,114	682,085	59,851	5,971
Other Financing Sources (Uses):					
Sale of transportation equipment	-	1,350	1,350	1,350	-
Operating transfers in	1,051,239	1,040,529	1,040,529	(10,710)	-
Insurance loss recoveries	-	514,997	514,997	514,997	-
Operating transfers out	(1,628,643)	(1,899,509)	(1,899,509)	(270,866)	-
Total Other Financing Sources (Uses)	<u>(577,404)</u>	<u>(342,633)</u>	<u>(342,633)</u>	<u>234,771</u>	<u>-</u>
Net Change in Fund Balances	38,859	333,481	339,452	294,622	5,971
Fund Balances:					
July 1, 2006, as previously reported			1,533,742		
Prior period adjustment			(34,870)		
July 1, 2006, as adjusted			<u>1,498,872</u>		
June 30, 2007			\$ <u>1,838,324</u>		

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

GREENE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 School Food Service Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 307,400	216,111	216,111	(91,289)	-
State sources	5,000	-	5,627	(5,000)	5,627
Federal sources	695,000	875,025	875,025	180,025	-
Total Revenues	<u>1,007,400</u>	<u>1,091,136</u>	<u>1,096,763</u>	<u>83,736</u>	<u>5,627</u>
Expenditures:					
Support services	94,379	99,412	99,412	(5,033)	-
Noninstructional services	672,719	1,130,697	1,128,568	(457,978)	2,129
Debt services:					
Principal	<u>10,505</u>	<u>13,856</u>	<u>13,856</u>	<u>(3,351)</u>	<u>-</u>
Total Expenditures	<u>777,603</u>	<u>1,243,965</u>	<u>1,241,836</u>	<u>(466,362)</u>	<u>2,129</u>
Excess (Deficiency) of Revenues Over Expenditures	229,797	(152,829)	(145,073)	(382,626)	7,756
Other Financing Sources (Uses):					
Operating transfers out	10,000	-	-	10,000	-
Operating transfers in	-	105,000	105,000	105,000	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>105,000</u>	<u>105,000</u>	<u>115,000</u>	<u>-</u>
Net Change in Fund Balances	239,797	(47,829)	(40,073)	(267,626)	7,756
Fund Balances:					
July 1, 2006, as previously reported			82,029		
Prior period adjustment			<u>36,558</u>		
July 1, 2006, as adjusted			<u>118,587</u>		
Increase (Decrease) in reserve for inventory			<u>(3,878)</u>		
June 30, 2007			<u>\$ 74,636</u>		

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

GREENE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Low Grant Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 541,615	545,347	545,347	3,732	-
Total Revenues	<u>541,615</u>	<u>545,347</u>	<u>545,347</u>	<u>3,732</u>	<u>-</u>
Expenditures:					
Instruction	425,205	412,538	412,538	12,667	-
Support services	115,851	132,029	132,029	(16,178)	-
Noninstructional services	44	-	-	44	-
Total Expenditures	<u>541,100</u>	<u>544,567</u>	<u>544,567</u>	<u>(3,467)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	515	780	780	265	-
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	515	780	780	265	-
Fund Balances:					
July 1, 2006, as previously reported			-		
Prior period adjustment			-		
July 1, 2006, as adjusted			<u>-</u>		
June 30, 2007			\$ <u>780</u>		

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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	36,432	36,432	36,432	-
Sixteenth section sources	35,000	84,763	84,763	49,763	-
Total Revenues	<u>35,000</u>	<u>121,195</u>	<u>121,195</u>	<u>86,195</u>	<u>-</u>
Expenditures:					
Sixteenth section	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	35,000	121,195	121,195	86,195	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Net Change in Fund Balances	(5,000)	121,195	<u>121,195</u>	126,195	-
Fund Balances:					
July 1, 2006			<u>986,294</u>		
June 30, 2007			\$ <u><u>1,107,489</u></u>		

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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

(1) Basis of Presentation.

The Budgetary Comparison Schedule 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 15th of each year. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT
Schedule of Expenditure of Federal Awards
For the Year Ending June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 60,056
Child nutrition cluster:		
School breakfast program	10.553	248,491
National school lunch program	10.555	597,004
Total child nutrition cluster		<u>845,495</u>
Total U. S. Department of Agriculture		<u>905,551</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	26,744
Total U. S. Department of Defense		<u>26,744</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	544,567
Vocational education-basic grants to states	84.048	29,695
State grants for innovative programs	84.298	1,505
Education technology state grants	84.318	5,367
Rural education	84.358	49,596
Improving teacher quality-state grants	84.367	174,079
Total		<u>804,809</u>
Special education cluster:		
Special education-grants to states	84.027	430,019
Special education-preschool grants	84.173	1,337
Total		<u>431,356</u>
Total passed-through Mississippi Department of Education		<u>1,236,165</u>
Total U.S. Department of Education		<u>1,236,165</u>
Total for All Federal Awards		<u>\$ 2,168,460</u>

NOTES TO SCHEDULE:

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable used for the financial statements.

The expenditure amounts include transfers out.

The pass-through entities did not assign identifying numbers to the school district.

Greene County School District
 Schedule of Instructional, Administrative and Other Expenditures - Government Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures			
		General Administration	School Administration	Other	
Salaries and fringe benefits	\$ 11,684,406	447,441	777,284	1,424,517	
Other	3,390,469	243,882	49,861	2,252,939	
Total	\$ 15,074,875	691,323	827,145	3,677,456	
Total number of students *	1,843				
Cost per student	\$ 8,180	375	449	1,995	

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing with the interaction between teachers and students. Included here are the activities of teachers, teacher's 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 reported on the ADA report for month 9, which is the final submission for the fiscal year.

GREENE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

GREENE COUNTY SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

February 20, 2009

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, 2007, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated February 20, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Finding and Questioned Costs as Findings 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

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

57

Al Dribben, CPA

P.O. Box 1411 113 North Broadway McComb MS 39649

601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 MS Toll Free email dribbencpa@cableone.net

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

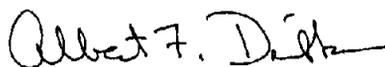
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no 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 on the school district in a separate letter dated February 20, 2009, which is included in this report.

Greene County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Greene County School District's responses and, accordingly, we express no opinion on them.

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

Sincerely,



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

CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

February 20, 2009

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, 2007. 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

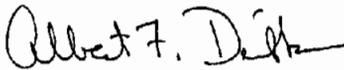
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our considerations of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over compliance that we consider to be material weaknesses, as defined above.

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

Sincerely,



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

GREENE COUNTY SCHOOL DISTRICT

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

GREENE COUNTY SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

February 20, 2009

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, 2007, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated February 20, 2009. 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 Comptroller General of the United States.

Section 37-9-18(3)(a), 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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$90,370 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures to test compliance with the requirement of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state 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 procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

Finding No. 1: Per Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), states that "Local school districts shall allocate classroom supply funds equally among all classroom teachers in the school district. For purposes of this subparagraph, "teacher" means any employee of the school board...who is required by law to obtain a teacher's license..., but shall not include a federally funded teacher."

We noted in our testing of the classroom supply allocation that federally funded teachers were allocated a portion of the classroom supply monies.

This noncompliance occurred because the district did not follow the restrictions of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

Allocation of classroom supplies and instructional materials funds to federally funded teachers could result in the district allowing some teachers to spend other teachers' allocations.

Recommendation: We recommend that only teachers holding a teaching license that are not federally funded be given the classroom supply allocation

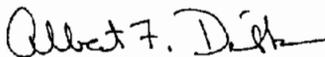
Response: We agree with the recommendation and in the future will allocate from the district maintenance fund additional classroom supplies and instructional materials funds to federally funded teachers.

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

The Greene County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Sincerely,



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

GREENE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: 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 weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4 | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5 | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be material weakness? | None reported |
| 6 | Any audit finding reported as required by Section __.510(a) of Circular A-133? | No |
| 7 | Federal programs identified as major programs: | |
| | a. Nutrition cluster | |
| | School breakfast program | CFDA#: 10.553 |
| | National school lunch program | CFDA#: 10.555 |
| | b. Title I grants to local educational agencies | CFDA#: 84.010 |
| | c. Special education cluster | |
| | Special education - grants to states | CFDA#: 84.027 |
| | Special education - preschool grants | CFDA#: 84.173 |
| 8 | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9 | Auditee qualified as low-risk auditee? | No |
| 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? | Yes |

GREENE COUNTY SCHOOL DISTRICT

Section 2: Financial Statement Findings:

Significant Deficiencies Not Considered to be Material Weaknesses

2007-01 Controls Over Activity Funds Should Be Strengthened

Finding

As reported in the prior year's audit, management is responsible for ensuring that all revenue earned is correctly recorded and deposited in order to safeguard the assets of the district. While reviewing the activity fund revenues for the month of May, 2007, we found that the district had inadequate controls with regard to safeguarding receipts. The following weaknesses were noted:

- A. None of the receipts examined for activity and club fund receipts indicated the type of payment received.
- B. Twenty two of the receipts did not indicate a payee.
- C. Twenty seven of the receipts were not deposited timely.
- D. In the test of five football games, we noted the following:

Cash in the amount of fifteen hundred dollars was held out of gate receipts to be used as petty cash for the following week's game.

Inadequate controls surrounding revenue collections 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.

2007-02 Controls Should be Supported by Adequate Payroll Documentation

Finding

As reported in the prior year's audit, 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 not used in calculating the amount of salary an employee had earned. We also found that in three instances documentation for payroll deductions from employees pay did not exist.

As a result of improper internal controls for payroll expenditures and payroll deductions, payments to nonexempt personnel and payroll deductions were made without proper documentation and authorization.

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

GREENE COUNTY SCHOOL DISTRICT

Recommendation

We recommend the district maintain adequate records for all nonexempt personnel to support payroll expenditures and that proper documentation for payroll deductions be maintained.

Section 3: Federal Award Findings and Questioned Costs

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

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

GREENE COUNTY SCHOOL DISTRICT

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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

April 20, 2009

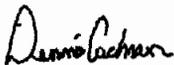
Dribben & Associates, Ltd.
P. O. Box 1411
McComb, MS 39649-1411

As required by Section ____ .315© of OMB Circular A-133, 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, 2007:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2007-01	<p>a. Name(s) of Contact Person(s) Responsible or Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740</p> <p>b. Corrective Action Planned: A standard system of recording activity fund receipts has been implemented for all activity fund accounts in the district. Type of payment and payee are required components of the system. Deposits are to be made timely and are being monitored on a monthly basis. The school holding gate money for the next game has been instructed to cease this practice.</p> <p>c. Anticipated Completion Date: New system was implemented during fiscal year 2008, prior to the auditor's field work for the FY 07 audit.</p>
2007-02	<p>a. Name(s) of Contact Person(s) Responsible or Corrective Action: Dennis Cochran, Business Administrator, 601-394-2740</p> <p>b. Corrective Action Planned: The district purchased and began implementing the use of mechanical time clocks during fiscal year 2008. Time records will be used to document hours worked by non-exempt employees. No payroll deductions will be made without authorization from employees.</p> <p>b. Anticipated Completion Date: Immediately</p>

The school district and I appreciate your diligence in identifying and reporting these findings. We will continue to work with our staff to address and prevent any potential weaknesses in our accounting and reporting systems.

Sincerely yours,



Dennis Cochran
Business Administrator

GREENE COUNTY SCHOOL DISTRICT

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GREENE COUNTY SCHOOL DISTRICT

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

GREENE COUNTY SCHOOL DISTRICT

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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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Dribben & Associates, Ltd.
P. O. Box 1411
McComb, MS 39649-1411

Greene County School District respectfully submits the following summary schedule of prior audit findings relative to federal awards.

06-08 Dennis Cochran
 Business Administrator
 601-394-2740

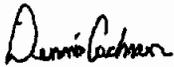
Interest on Capital Leases is not and Allowable Cost

Compliance requirement: Allowable Cost/Cost Principles

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

Status: The district has reimbursed the federal fund for the un-allowed interest on a lease payment. The Business Administrator and Federal Program Coordinator review claims to ensure compliance with federal program guidelines.

Sincerely yours,



Dennis Cochran
Business Administrator

