

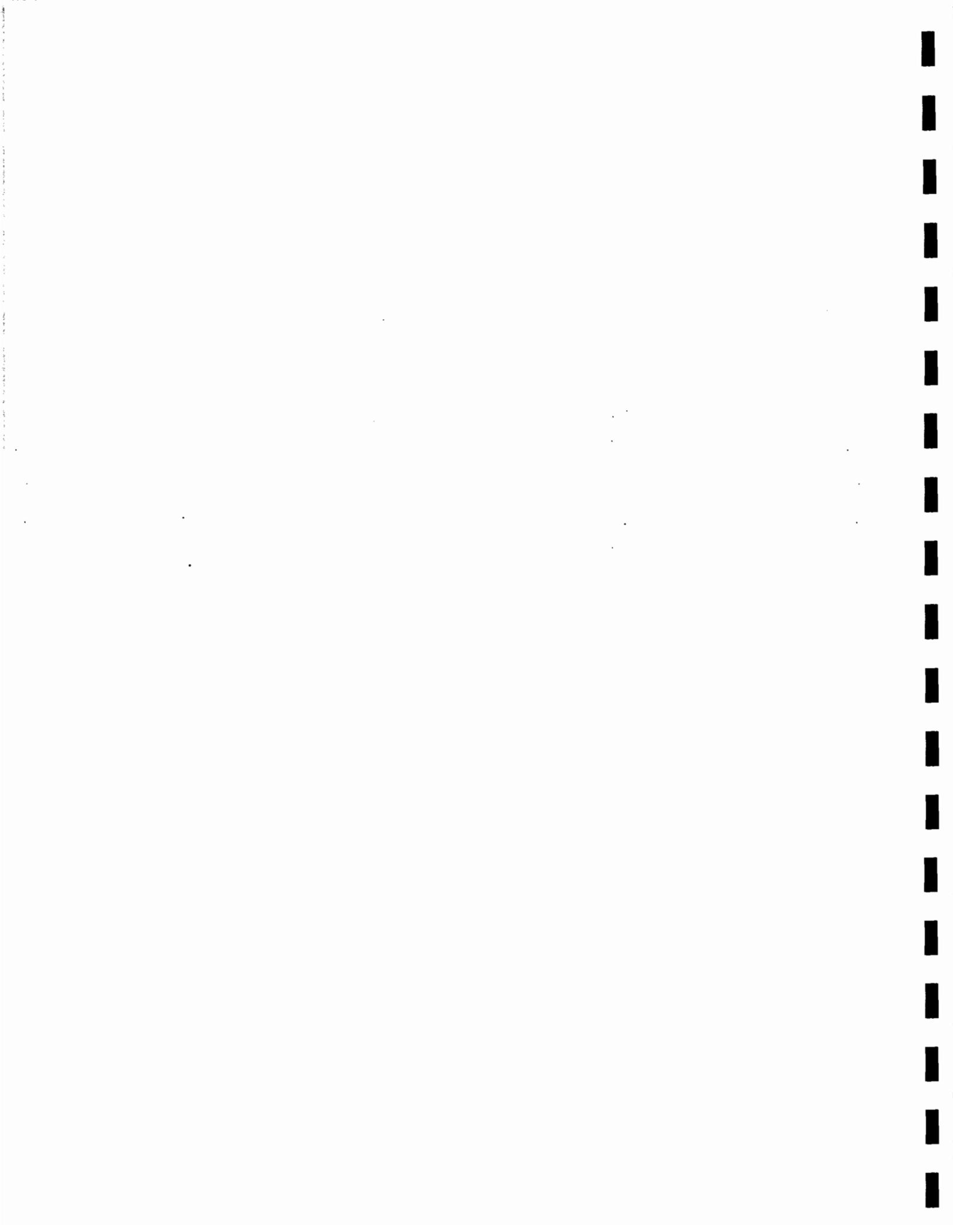


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GREENE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

Presented by:
Nieman & Associates, PC
D. Scott Nieman, CPA
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113 North Broadway Avenue
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 Balances to the Statement of Activities.....	26
Statement of Fiduciary Assets and Liabilities.....	27
Notes to the Financial Statements.....	28
REQUIRED SUPPLEMENTAL INFORMATION	45
Budgetary Comparison Schedule — General Fund	47
Budgetary Comparison Schedule — Title I-A Basic Fund.....	48
Budgetary Comparison Schedule — Sixteenth Section Interest Fund	49
Notes to the Required Supplemental Information.....	50
SUPPLEMENTAL INFORMATION	51
Schedule of Expenditures of Federal Awards.....	53
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	54
OTHER SUPPLEMENTAL INFORMATION.....	55
Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years	57
Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years.....	58
REPORTS ON INTERNAL CONTROL AND COMPLIANCE.....	59
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>	61
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	63
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	65
Independent Auditor’s Report on Compliance with State Laws and Regulations.....	67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	73
Schedule of Findings and Questioned Costs.....	75
AUDITEE’S CORRECTIVE ACTION PLAN.....	79
Auditee’s Corrective Action Plan	81

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FINANCIAL AUDIT REPORT

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

February 26, 2014

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, 2011, 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, 2011, 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 26, 2014, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in

accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,



D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

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GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2011

The following discussion and analysis of Greene County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$717,913, including a prior period adjustment of \$6,049, which represents a 7% increase from fiscal year 2010. Total net assets for 2010 increased \$1,330,580, including a prior period adjustment of \$675,958, which represents a 15% increase from fiscal year 2009.
- General revenues amounted to \$12,852,827 and \$13,744,926, or 76% and 78% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,992,964, or 24% of total revenues for 2011, and \$3,798,573, or 22% of total revenues for 2010.
- The District had \$16,133,927 and \$16,888,877 in expenses for fiscal years 2011 and 2010; only \$3,992,964 for 2011 and \$3,798,573 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,852,827 for 2011 and \$13,744,926 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,469,520 in revenues and \$11,223,583 in expenditures for 2011, and \$12,945,223 in revenues and \$12,198,216 in expenditures in 2010. The General Fund's fund balance increased by \$542,500, including a prior period adjustment of \$14,417, from 2010 to 2011, and increased by \$168,620, including a prior period adjustment of \$351,888, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$795,343 for 2011 and increased by \$63,142 for 2010. The increase for 2011 was due primarily to the ongoing construction of school facilities during the fiscal year.
- Long-term debt increased by \$2,633,625 for 2011 and decreased by \$357,752 for 2010. The increase for 2011 was due primarily to the issuance of qualified school construction bonds during the fiscal year. The liability for compensated absences decreased by \$6,962 for 2011 and increased by \$19,657 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2011

District's net assets may serve as a useful indicator of whether its financial position 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 periods.

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 on long-term liabilities.

Fund Financial Statements

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

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined 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. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2011

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,124,741 as of June 30, 2011.

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2011

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.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 4,440,977	\$ 3,694,765	20.20 %
Restricted assets	2,999,859	779,944	284.62 %
Capital assets, net	8,407,765	7,612,422	10.45 %
Total assets	<u>15,848,601</u>	<u>12,087,131</u>	31.12 %
Current liabilities	701,247	291,315	140.72 %
Long-term debt outstanding	4,022,613	1,388,988	189.61 %
Total liabilities	<u>4,723,860</u>	<u>1,680,303</u>	181.13 %
Net assets:			
Invested in capital assets, net of related debt	6,350,739	6,376,621	(0.41) %
Restricted	3,131,215	2,950,443	6.13 %
Unrestricted	1,642,787	1,079,764	52.14 %
Total net assets	<u>\$ 11,124,741</u>	<u>\$ 10,406,828</u>	6.90 %

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

- Increase in net capital assets in the amount of \$795,343.
- The principal retirement of \$359,413 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$16,845,791 and \$17,543,499, respectively. The total cost of all programs and services was \$16,133,927 for 2011 and \$16,888,877 for 2010.

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2011

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 739,691	\$ 811,650	(8.87) %
Operating grants and contributions	3,253,273	2,986,923	8.92 %
General revenues:			
Property taxes	2,942,118	3,155,835	(6.77) %
Grants and contributions not restricted	9,609,404	9,972,198	(3.64) %
Investment earnings	40,260	48,304	(16.65) %
Sixteenth section sources	140,877	488,999	(71.19) %
Other	120,168	79,590	50.98 %
Total revenues	<u>16,845,791</u>	<u>17,543,499</u>	(3.98) %
Expenses:			
Instruction	9,333,118	10,083,898	(7.45) %
Support services	5,574,422	5,518,626	1.01 %
Non-instructional	1,116,690	1,189,781	(6.14) %
Sixteenth section	68,096	38,965	74.76 %
Interest and other expenses on long-term liabilities	41,601	57,607	(27.78) %
Total expenses	<u>16,133,927</u>	<u>16,888,877</u>	(4.47) %
Increase (Decrease) in net assets	<u>711,864</u>	<u>654,622</u>	8.74 %
Net Assets, July 1, as originally reported	<u>10,406,828</u>	<u>9,076,248</u>	14.66 %
Prior Period Adjustment	<u>6,049</u>	<u>675,958</u>	(99.11) %
Net Assets, July 1, as restated	<u>10,412,877</u>	<u>9,752,206</u>	6.77 %
Net Assets, June 30	<u><u>\$ 11,124,741</u></u>	<u><u>\$ 10,406,828</u></u>	6.90 %

Governmental activities

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

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2011

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 9,333,118	\$ 10,083,898	(7.45) %
Support services	5,574,422	5,518,626	1.01 %
Non-instructional	1,116,690	1,189,781	(6.14) %
Sixteenth section	68,096	38,965	74.76 %
Interest on long-term liabilities	41,601	57,607	(27.78) %
Total expenses	\$ 16,133,927	\$ 16,888,877	(4.47) %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (7,130,662)	\$ (8,199,387)	(13.03) %
Support services	(4,909,182)	(4,857,974)	1.05 %
Non-instructional	8,578	3,329	157.67 %
Sixteenth section	(68,096)	21,335	(419.18) %
Interest on long-term liabilities	(41,601)	(57,607)	(27.78) %
Total net (expense) revenue	\$ (12,140,963)	\$ (13,090,304)	(7.25) %

- Net cost of governmental activities (\$12,140,963 for 2011 and \$13,090,304 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,942,118 for 2011 and \$3,155,835 for 2010) and state and federal revenues (\$9,609,404 for 2011 and \$9,972,198 for 2010). In addition, there was \$140,877 and \$488,999 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$40,260 for 2011 and \$48,304 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,762,479, an increase of \$2,547,838, which includes a prior period adjustment of \$6,049 and an increase in inventory of \$3,543. \$1,570,566, or 23%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$5,191,913, or 77%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2011

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$542,500, which includes a prior period adjustment of \$14,417. The fund balance of Other Governmental Funds showed an increase in the amount of \$37,609, which includes a prior period adjustment of \$(8,368) and an increase in inventory of \$3,543. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 84,114
QSCB Construction Fund	1,819,362
Sixteenth Section Principal Fund	64,253

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the fiscal year were routine in nature and were considered insignificant in comparison with the District's total revenues and expenditures.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$14,516,901, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$1,068,478 from 2010, due primarily to the ongoing construction of new classrooms at various school locations. Total accumulated depreciation as of June 30, 2011, was \$6,109,136, and total depreciation expense for the year was \$382,863, resulting in total net capital assets of \$8,407,765.

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 33,084	\$ 33,084	0.00 %
Construction in Progress	1,058,801	-	N/A %
Buildings	4,538,253	4,666,654	(2.75) %
Building improvements	1,808,430	1,770,948	2.12 %
Improvements other than buildings	252,841	265,754	(4.86) %
Mobile equipment	396,850	482,044	(17.67) %
Furniture and equipment	62,431	86,733	(28.02) %
Leased property under capital leases	257,075	307,205	(16.32) %
Total	\$ 8,407,765	\$ 7,612,422	10.45 %

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

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2011

Debt Administration. At June 30, 2011, the District had \$4,022,613 in outstanding long-term debt, of which \$309,480 is due within one year. During the fiscal year, the District received proceeds from the issuance of qualified school construction bonds totaling \$3,000,000. The District made principal payments totaling \$359,413 on outstanding long-term debt. The liability for compensated absences decreased \$6,962 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 630,000	\$ 775,000	(18.71) %
Obligations under capital leases	246,388	460,801	(46.53) %
Qualified school construction bonds payable	3,000,000	-	N/A %
Compensated absences payable	146,225	153,187	(4.54) %
Total	\$ 4,022,613	\$ 1,388,988	189.61 %

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

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GREENE COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,502,884
Due from other governments	896,927
Inventories	41,166
Restricted assets	2,999,859
Capital assets, non-depreciable:	
Land	33,084
Construction in progress	1,058,801
Capital assets, net of accumulated depreciation:	
Buildings	4,538,253
Building improvements	1,808,430
Improvements other than buildings	252,841
Mobile equipment	396,850
Furniture and equipment	62,431
Leased property under capital leases	257,075
Total Assets	<u>15,848,601</u>
Liabilities	
Accounts payable and accrued liabilities	675,387
Unearned revenue	2,970
Interest payable on long-term liabilities	22,890
Long-term liabilities, due within one year:	
Capital related liabilities	305,093
Non-capital related liabilities	4,387
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,571,295
Non-capital related liabilities	141,838
Total Liabilities	<u>4,723,860</u>
Net Assets	
Invested in capital assets, net of related debt	6,350,739
Restricted net assets:	
Expendable:	
School - based activities	2,151,766
Forestry improvements	125,923
Unemployment benefits	62,972
Non-expendable:	
Sixteenth section	790,554
Unrestricted	1,642,787
Total Net Assets	<u>\$ 11,124,741</u>

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

GREENE COUNTY SCHOOL DISTRICT
 Balance Sheet – Governmental Funds
 June 30, 2011

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title I-A Basic Fund	Sixteenth Section Interest Fund	QSCB Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds		
ASSETS								
Cash and cash equivalents	\$ 1,088,693	\$ -	\$ 1,511,761	\$ 2,155,662	\$ 844,197	\$ 902,430	\$ 6,502,743	
Due from other governments	332,016	159,505	-	-	-	371,176	862,697	
Due from other funds	734,693	-	117,824	-	-	12,604	865,121	
Inventories	-	-	-	-	-	41,166	41,166	
Total Assets	\$ 2,155,402	\$ 159,505	\$ 1,629,585	\$ 2,155,662	\$ 844,197	\$ 1,327,376	\$ 8,271,727	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 266,715	\$ 90	\$ -	\$ 336,300	\$ -	\$ 72,282	\$ 675,387	
Due to other funds	130,428	159,415	-	-	-	541,048	830,891	
Unearned revenue	-	-	-	-	-	2,970	2,970	
Total Liabilities	397,143	159,505	-	336,300	-	616,300	1,509,248	
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	41,166	41,166	
Permanent fund principal	-	-	-	-	790,554	-	790,554	
Restricted:								
Capital projects	-	-	-	1,819,362	-	-	1,819,362	
Forestry improvement purposes	-	-	-	-	-	125,923	125,923	
Grant activities	-	-	-	-	-	108,564	108,564	
Unemployment benefits	-	-	-	-	-	62,972	62,972	
Sixteenth section	-	-	1,629,585	-	-	-	1,629,585	
Food service	-	-	-	-	-	372,451	372,451	
Other purposes	-	-	-	-	53,643	-	53,643	
Assigned:								
Activity funds	187,693	-	-	-	-	-	187,693	
Unassigned	1,570,566	-	-	-	-	-	1,570,566	
Total Fund Balances	1,758,259	-	1,629,585	1,819,362	844,197	711,076	6,762,479	
Total Liabilities and Fund Balances	\$ 2,155,402	\$ 159,505	\$ 1,629,585	\$ 2,155,662	\$ 844,197	\$ 1,327,376	\$ 8,271,727	

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

GREENE COUNTY SCHOOL DISTRICTExhibit C-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 6,762,479
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	\$ 33,084
Construction in progress	1,058,801
Buildings	8,309,170
Building improvements	2,108,241
Improvements other than buildings	600,141
Mobile equipment	1,442,291
Furniture and equipment	322,682
Leased property under capital leases	642,491
Accumulated depreciation	<u>(6,109,136)</u>
	8,407,765
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
Other bonds payable	\$ (3,000,000)
Notes payable	(630,000)
Capital lease obligations	(246,388)
Compensated absences	(146,225)
Accrued interest payable	<u>(22,890)</u>
	<u>(4,045,503)</u>
Net assets of governmental activities	\$ 11,124,741

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, 2011

	General Fund	Major Funds				Section Principal Fund	Other Governmental Funds	Total Governmental Funds
		Title I-A Basic Fund	Sixteenth Section Interest Fund	QSCB Construction Fund	Sixteenth Section Principal Fund			
Revenues:								
Local sources	\$ 3,533,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362,929	\$ 3,896,685
State sources	8,817,006	-	-	-	-	-	438,737	9,255,743
Federal sources	118,758	522,753	-	-	-	-	2,821,531	3,463,042
Sixteenth section sources	-	-	84,114	-	64,253	-	8,133	156,500
Total Revenues	12,469,520	522,753	84,114	-	64,253	-	3,631,330	16,771,970
Expenditures:								
Instruction	6,526,881	404,253	-	-	-	-	2,398,676	9,329,810
Support services	4,412,961	118,500	-	-	-	-	678,554	5,210,015
Noninstructional services	144,120	-	-	-	-	-	967,927	1,112,047
Sixteenth section	-	-	-	-	-	-	68,096	68,096
Facilities acquisition and construction	-	-	-	1,180,613	-	-	-	1,180,613
Debt service:								
Principal	131,705	-	-	-	-	-	227,708	359,413
Interest	7,916	-	-	-	-	-	42,017	49,933
Other	-	-	-	25	-	-	-	25
Total Expenditures	11,223,583	522,753	-	1,180,638	-	-	4,382,978	17,309,952
Excess (Deficiency) of Revenues Over Expenditures	1,245,937	-	84,114	(1,180,638)	64,253	-	(751,648)	(537,982)
Other Financing Sources (Uses):								
Bonds and notes issued	-	-	-	3,000,000	-	-	-	3,000,000
Insurance loss recoveries	73,561	-	-	-	-	-	-	73,561
Sale of transportation equipment	2,667	-	-	-	-	-	-	2,667
Operating transfers in	-	-	-	-	-	-	794,082	794,082
Operating transfers out	(794,082)	-	-	-	-	-	-	(794,082)
Total Other Financing Sources (Uses)	(717,854)	-	-	3,000,000	-	-	794,082	3,076,228
Net Change in Fund Balances	528,083	-	84,114	1,819,362	64,253	-	42,434	2,538,246
Fund Balances:								
July 1, 2010, as originally reported	1,215,759	-	1,545,471	-	779,944	-	673,467	4,214,641
Prior period adjustments	14,417	-	-	-	-	-	(8,368)	6,049
July 1, 2010, as restated	1,230,176	-	1,545,471	-	779,944	-	665,099	4,220,690
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	3,543	3,543
June 30, 2011	\$ 1,758,259	\$ -	\$ 1,629,585	\$ 1,819,362	\$ 844,197	\$ -	\$ 711,076	\$ 6,762,479

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, 2011

Exhibit D-1

	<u>Amount</u>
Net Change in fund balances - total governmental funds	\$ 2,538,246
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	\$ 1,180,613
Depreciation expense	<u>(382,863)</u>
	797,750
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	
	(2,407)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:	
Bonds and notes issued	\$ (3,000,000)
Payments of debt principal	359,413
Accrued interest payable	<u>8,357</u>
	(2,632,230)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:	
Change in compensated absences	\$ 6,962
Change in inventory reserve	<u>3,543</u>
	<u>10,505</u>
Change in Net Assets of Governmental Activities	<u>\$ 711,864</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, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 994,761
Total Assets	<u>994,761</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 827,195
Due to other funds	34,230
Due to student clubs	<u>133,336</u>
Total Liabilities	<u>\$ 994,761</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, 2011

(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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity.

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.

For financial reporting purposes, Greene County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

C. Government-wide and Fund Financial Statements.

Government-wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate fund financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I-A Fund – This fund is used to account for financial resources received and spent under the federal Title I program.

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.

QSCB Construction Fund – This is a Capital Projects Fund that accounts for the financial resources received through the Quality School Construction Bond.

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 FUND TYPES

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.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

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. 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 timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi 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.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

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. Assets, liabilities, and net assets or equity.

1. Cash, Cash equivalents and Investments.

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

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 for the district are reported at fair market value.

2. Receivables and Payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments.

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

4. 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets.

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals of deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ -	-
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 5 for details.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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.

8. Long-term liabilities.

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances.

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the District's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

9. Fund Balances. (Continued)

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

(2) Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,502,743 and \$994,761, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents - \$3,502,884 and Restricted Assets - \$2,999,859. The bank balance was \$8,107,787.

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, 2011, none of the district's bank balance of \$8,107,787 was exposed to custodial credit risk.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

(3) Inter-fund Receivables, Payables and Transfers.

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I-A Basic	\$ 159,415
General Fund	Other governmental funds	541,048
General Fund	Agency Funds	34,230
Other governmental funds	General Fund	12,604
Sixteenth Section Interest Fund	General Fund	117,824
Total Funds		<u>\$ 865,121</u>

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

B. Transfers In/Out:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General fund	Other Governmental	\$ 794,082
Total Funds		<u>\$ 794,082</u>

The above transfers were for distribution of MAEP monies to various funds, the transfer of 3-Mill Levy monies to various funds and the transfer of sixteenth section interest funds.

(4) Restricted Assets.

The restricted assets represent the cash balance totaling \$844,197 of the Sixteenth Section Principal Fund (Permanent Fund), which is legally restricted and may not be used for purposes that support the district's program.

In addition, the restricted assets represent the cash balance, totaling \$2,155,662 of the QCSB Construction Fund.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

(5) Capital Assets.

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

	<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>6/30/2011</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 33,084	\$ -	\$ -	\$ -	\$ 33,084
Construction in Progress	-	1,180,613	-	(121,812)	1,058,801
Total non-depreciable capital assets	<u>\$ 33,084</u>	<u>\$ 1,180,613</u>	<u>\$ -</u>	<u>\$ (121,812)</u>	<u>\$ 1,091,885</u>
<u>Depreciable capital assets:</u>					
Buildings	\$ 8,309,170	\$ -	\$ -	\$ -	\$ 8,309,170
Building improvement	1,986,429	-	-	121,812	2,108,241
Improvements other than buildings	600,141	-	-	-	600,141
Mobile equipment	1,456,578	-	(14,287)	-	1,442,291
Furniture and equipment	420,530	-	(97,848)	-	322,682
Leased property under Capital Leases	642,491	-	-	-	642,491
Total depreciable capital assets	<u>\$ 13,415,339</u>	<u>\$ -</u>	<u>\$ (112,135)</u>	<u>\$ 121,812</u>	<u>\$ 13,425,016</u>
<u>Less accumulated depreciation for:</u>					
Buildings	\$ (3,642,516)	\$ (128,401)	\$ -	\$ -	\$ (3,770,917)
Building improvement	(215,481)	(84,330)	-	-	(299,811)
Improvements other than buildings	(334,387)	(12,913)	-	-	(347,300)
Mobile equipment	(974,534)	(83,765)	12,858	-	(1,045,441)
Furniture and equipment	(333,797)	(23,324)	96,870	-	(260,251)
Leased property under Capital Leases	(335,286)	(50,130)	-	-	(385,416)
Total accumulated depreciation	<u>(5,836,001)</u>	<u>(382,863)</u>	<u>109,728</u>	<u>-</u>	<u>(6,109,136)</u>
Total depreciable capital assets, net	<u>7,579,338</u>	<u>(382,863)</u>	<u>(2,407)</u>	<u>121,812</u>	<u>7,315,880</u>
Governmental activities capital assets, net	<u>\$ 7,612,422</u>	<u>\$ 797,750</u>	<u>\$ (2,407)</u>	<u>\$ -</u>	<u>\$ 8,407,765</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 8,181
Support services	366,148
Non-instructional	8,534
Total depreciation expense	<u>\$ 382,863</u>

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

(5) Capital Assets. (Continued)

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
HVAC Project	\$ 121,812	\$ -
Classrooms at various schools in the District	1,058,801	2,095,297
	<u>\$ 1,180,613</u>	<u>\$ 2,095,297</u>

The construction project for the classrooms is being funded with a Qualified School Construction Bond.

(6) Long-term liabilities.

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amount Due within one year
A. Three mill note payable	\$ 775,000	\$ -	\$ (145,000)	\$ 630,000	\$ 150,000
B. Obligations under capital lease	460,801	-	(214,413)	246,388	155,093
C. Qualified School Construction Bond	-	3,000,000	-	3,000,000	-
D. Compensated absences payable	153,187	-	(6,962)	146,225	4,387
Total	<u>\$ 1,388,988</u>	<u>\$ 3,000,000</u>	<u>\$ (366,375)</u>	<u>\$ 4,022,613</u>	<u>\$ 309,480</u>

A. Three mill notes payable:

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes	3.87%	11/01/07	09-01-2016	\$ 1,200,000	\$ 630,000
Total				<u>\$ 1,200,000</u>	<u>\$ 630,000</u>

Details of the district's June 30, three mill notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 150,000	\$ 24,381	\$ 174,381
2013	100,000	54,761	154,761
2014	100,000	14,706	114,706
2015	95,000	10,836	105,836
2016	95,000	7,160	102,160
2017	90,000	3,483	93,483
Total	<u>\$ 630,000</u>	<u>\$ 115,327</u>	<u>\$ 745,327</u>

This debt will be retired from the 2006 Three Mill Levy Fund (4021).

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

(6) Long-term liabilities. (Continued)

B. 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. School buses.
- B. Software for educational use.

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

1. Title to the equipment and any and all additions, repairs, replacements, or modifications shall vest in the lessee, subject to the right of the lessor.
2. Lessee will, at own cost and expense, maintain, preserve and keep the equipment in good repair, working order and condition.
3. Lessee will have a purchase option at 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
2012	\$ 155,093	\$ 9,449	\$ 164,542
2013	91,295	3,438	94,733
Total	<u>\$ 246,388</u>	<u>\$ 12,887</u>	<u>\$ 259,275</u>

The debt will be retired from the District Maintenance Fund (1120) and the EEF Building and Buses Fund (2410).

C. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2010 A & B	3.76%	10/29/2010	8/1/2025	\$ 2,000,000	\$ 2,000,000
Limited Tax Note, Series 2010 C	3.86%	10/29/2010	8/1/2025	1,000,000	1,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

C. Qualified school construction bonds payable (Continued):

Year Ending June 30	Principal	Interest Payable	Less Anticipated Refundable Credit Payment	Total
2012	\$ -	\$ 119,836	\$ 114,540	\$ 5,296
2013	-	168,500	161,000	7,500
2014	-	168,500	161,000	7,500
2015	-	168,500	161,000	7,500
2016	-	168,500	161,000	7,500
2017-2021	-	842,500	805,000	37,500
2022-2026	3,000,000	842,500	805,000	3,037,500
Total	<u>\$ 3,000,000</u>	<u>\$ 2,478,836</u>	<u>\$ 2,368,540</u>	<u>\$ 3,110,296</u>

D. Compensated absences payable.

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

(7) Operating Leases.

The School District has several operating leases for the following:

1. Pitney Bowes Postage Meter
2. Eleven (11) Copiers

Lease expenditures for the year ended June 30, 2011, amounted to \$50,640.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	\$ 29,864
2013	5,422
2014	1,103
2015	222
Total	<u>\$ 36,611</u>

(8) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

(8) Defined Benefit Pension Plan. (Continued)

Funding Policy. PERS members are required to contribute 9.00% 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, 2011, was 12.00% 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, 2011, 2010 and 2009 were \$1,133,751, \$1,195,581, and \$1,153,437, respectively, which equaled the required contributions for each year.

(9) 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
2012	\$ 81,630
2013	81,630
2014	9,945
2015	9,945
2016	9,945
2017-2021	50,425
2022-2026	48,750
2027-2031	30,590
2032-2036	890
Total	<u>\$ 323,750</u>

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities		
	Explanations	Amount
1.	To correct recording of prior year adjustments and correct beginning fund balance in various funds.	\$ 6,049
	Total	\$ 6,049

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 balance.	\$ 14,417
Other Governmental Funds	To correct the recording of prior year adjustments and to correct beginning fund balances in various funds.	(8,368)
	Total	\$ 6,049

(11) Contingencies.

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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.

(12) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

(12) Risk Management. (Continued)

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.

(13) Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the fifteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 109,998
2013	144,999
2014	144,999
2015	154,998
2016	159,999
2017-2021	1,109,994
2022-2026	1,175,013
Total	<u>\$ 3,000,000</u>

(14) Insurance Loss Recoveries.

The Greene County School District received insurance loss recoveries totalling \$73,561, of which \$61,336 was related to storm damage and \$12,225 was related to a loss of a freezer at Leaksville Elementary School, during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated 100% to the Support services expense function.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

(15) Subsequent Events.

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Greene County School District evaluated the activity of the district through February 26, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On December 12, 2011, the Board approved a bid of \$208,800.00 from P & R Construction Co. for repairing the roof at Greene County Vo-Tech.

On July 31, 2012, the Board approved a transfer of \$850,000 from 16th Section Interest Fund to District Maintenance Fund.

On July 31, 2012, the Board authorized shortfall notes in the amount of \$419,580.00.

On March 11, 2013, the Board accepted a bid of \$38,400.00 from Gulf Coast Mineral for mineral lease rights on Section 16, Township 4N, and Range 8W.

On June 10, 2013, the Board approved a transfer of \$1,000,000.00 from 16th Section Interest Fund for Capital Improvements throughout the school district.

On November 11, 2013, the Board approved the removal of 16th Section timber along the pipeway right-of-way for the following tonnage: +/-829 tons of pine pulpwood, +/-140 tons of pine woods run sawtimber and +/-210 tons of hardwood pulpwood.

On November 11, 2013, the Board approved to lease 420 acres to Southern Pines for \$32,600.00 annually.

On December 9, 2013, the Board approved the bids for thinning the timber on Section 16-1N-7w, 120 acres to Henderson Felling and 16-2n-7w, 70 acres to Glenn Henderson.

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REQUIRED SUPPLEMENTAL INFORMATION

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GREENE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Local sources	\$ 3,473,800	\$ 3,361,665	\$ 3,533,756	\$ (112,135)	\$ 172,091
State sources	9,389,515	8,755,063	8,817,006	(634,452)	61,943
Federal sources	137,435	209,104	118,758	71,669	(90,346)
Total Revenues	<u>13,000,750</u>	<u>12,325,832</u>	<u>12,469,520</u>	<u>(674,918)</u>	<u>143,688</u>
Expenditures:					
Instruction	7,657,885	6,536,112	6,526,881	1,121,773	9,231
Support services	4,321,093	4,415,203	4,412,961	(94,110)	2,242
Noninstructional services	170,000	143,893	144,120	26,107	(227)
Debt services:					
Principal	-	243,234	131,705	(243,234)	111,529
Interest	2,977	13,984	7,916	(11,007)	6,068
Other	-	4,628	-	(4,628)	4,628
Total Expenditures	<u>12,151,955</u>	<u>11,357,054</u>	<u>11,223,583</u>	<u>794,901</u>	<u>133,471</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>848,795</u>	<u>968,778</u>	<u>1,245,937</u>	<u>119,983</u>	<u>277,159</u>
Other Financing Sources (Uses):					
Sale of transportation equipment	-	2,667	2,667	2,667	-
Insurance loss recoveries	-	61,336	73,561	61,336	12,225
Operating transfers in	1,778,014	1,403,937	-	(374,077)	(1,403,937)
Operating transfers (out)	(2,171,847)	(2,177,455)	(794,082)	(5,608)	1,383,373
Total Other Financing Sources (Uses)	<u>(393,833)</u>	<u>(709,515)</u>	<u>(717,854)</u>	<u>(315,682)</u>	<u>(8,339)</u>
Net Change in Fund Balances	<u>454,962</u>	<u>259,263</u>	<u>528,083</u>	<u>(195,699)</u>	<u>268,820</u>
Fund Balances:					
July 1, 2010, as originally reported			1,215,759		
Prior period adjustments			14,417		
July 1, 2010, as restated			<u>1,230,176</u>		
June 30, 2011			<u>\$ 1,758,259</u>		

The notes to the required supplemental information are an integral part of this schedule.

GREENE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I-A Basic Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Federal Sources	\$ 516,090	\$ 516,090	\$ 522,753	\$ -	\$ 6,663
Total Revenues	<u>516,090</u>	<u>516,090</u>	<u>522,753</u>	<u>-</u>	<u>6,663</u>
Expenditures:					
Instruction	402,957	402,957	404,253	-	(1,296)
Support services	126,749	126,749	118,500	-	8,249
Total Expenditures	<u>529,706</u>	<u>529,706</u>	<u>522,753</u>	<u>-</u>	<u>6,953</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,616)</u>	<u>(13,616)</u>	<u>-</u>	<u>-</u>	<u>13,616</u>
Fund Balances:					
June 30, 2010			<u>-</u>		
June 30, 2011			<u>\$ -</u>		

The notes to the required supplemental information are an integral part of this schedule.

GREENE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Sixteenth section sources	400,000	400,000	84,114	-	(315,886)
Total Revenues	400,000	400,000	84,114	-	(315,886)
Expenditures:					
Sixteenth section	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	400,000	400,000	84,114	-	(315,886)
Other Financing Sources (Uses):					
Operating transfers out	(250,000)	(250,000)	-	-	250,000
Total Other Financing Sources (Uses)	(250,000)	(250,000)	-	-	250,000
Net Change in Fund Balances	150,000	150,000	84,114	-	(65,886)
Fund Balances:					
June 30, 2010			1,545,471		
June 30, 2011			\$ 1,629,585		

The notes to the required supplemental information are an integral part of this schedule.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 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.

SUPPLEMENTAL INFORMATION

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GREENE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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:		
Child nutrition cluster:		
School breakfast program	10.553	* \$ 326,031
National school lunch program	10.555	* 557,657
Total child nutrition cluster		<u>883,688</u>
Total U. S. Department of Agriculture		<u>883,688</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	118,758
Total Federal Communications Commission		<u>118,758</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	522,753
Career and technical education-basic grants to states	84.048	21,289
Safe and drug-free schools and communities state grants	84.186	9,901
21st Century Community Learning Centers	84.287	157,586
Rural education	84.358	69,657
Improving teacher quality state grants	84.367	142,456
ARRA State Fiscal Stabilization Fund-Education state grants, Recovery Act	84.394	* 557,926
Educational Jobs Fund	84.410	* 416,625
Subtotal		<u>1,898,193</u>
Education Technology State Grants Cluster:		
Education technology state grants	84.318	4,619
Education Technology State Grants, Recovery Act	84.386	7,323
Total Education Technology State Grants Cluster		<u>11,942</u>
Special education cluster:		
Special education-grants to states (IDEA, Part B)	84.027	400,679
ARRA -Special education grants to states (IDEA, Part B), Recovery Act	84.391	20,000
Total Special Education Cluster		<u>420,679</u>
Total passed-through Mississippi Department of Education		<u>2,330,814</u>
Total U.S. Department of Education		<u>2,330,814</u>
Total for All Federal Awards		<u>\$ 3,333,260</u>

* Major Program

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 – Governmental Funds
For the Year Ended June 30, 2011

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 12,902,755	\$ 9,827,506	\$ 447,334	\$ 949,957	\$ 1,677,958
Other	4,407,197	768,256	118,382	43,108	3,477,451
Total	\$ 17,309,952	\$ 10,595,762	\$ 565,716	\$ 993,065	\$ 5,155,409
Total number of students *	2,064				
Cost per student	\$ 8,387	\$ 5,134	\$ 274	\$ 481	\$ 2,498

NOTES TO SCHEDULE

1. Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

* Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER SUPPLEMENTAL INFORMATION

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GREENE COUNTY SCHOOL DISTRICT

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Four Year Comparison

	2011	2010*	2009 *	2008 *
Revenues:				
Local sources	\$ 3,533,756	\$ 3,775,365	\$ 2,883,397	\$ 3,013,442
State sources	8,817,006	9,073,711	9,971,329	9,835,465
Federal sources	118,758	96,147	92,883	94,459
Total revenues	<u>12,469,520</u>	<u>12,945,223</u>	<u>12,947,609</u>	<u>12,943,366</u>
Expenditures:				
Instruction	6,526,881	7,489,582	8,219,241	8,415,761
Support services	4,412,961	4,330,202	4,392,783	4,520,293
Non-instructional services	144,120	144,079	139,185	249,678
Facilities acquisition and construction	-	-	1,352	-
Debt Service:				
Principal	131,705	204,413	98,068	139,595
Interest	7,916	29,940	5,483	36,340
Other	-	-	4,348	-
Total expenditures	<u>11,223,583</u>	<u>12,198,216</u>	<u>12,860,460</u>	<u>13,361,667</u>
Excess (deficiency) of revenues over expenditures	<u>1,245,937</u>	<u>747,007</u>	<u>87,149</u>	<u>(418,301)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	73,561	-	18	-
Sale of transportation equipment	2,667	2,350	2,500	2,500
Operating transfers in	-	-	255,800	1,455,693
Operating transfers out	(794,082)	(932,625)	(984,697)	(1,170,872)
Total Other Financing Sources (uses)	<u>(717,854)</u>	<u>(930,275)</u>	<u>(726,379)</u>	<u>287,321</u>
Net Change in Fund Balances	<u>528,083</u>	<u>(183,268)</u>	<u>(639,230)</u>	<u>(130,980)</u>
Fund balances:				
Beginning balance, as originally reported	1,215,759	1,047,139	1,696,188	1,838,324
Prior period adjustments	14,417	351,888	(9,819)	(11,156)
Beginning Balance, as restated	<u>1,230,176</u>	<u>1,399,027</u>	<u>1,686,369</u>	<u>1,827,168</u>
Increase (decrease) in reserve for inventory	-	-	-	-
Ending Balance	<u>\$ 1,758,259</u>	<u>\$ 1,215,759</u>	<u>\$ 1,047,139</u>	<u>\$ 1,696,188</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

GREENE COUNTY SCHOOL DISTRICT

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Four Year Comparison

	2011	2010*	2009 *	2008 *
Revenues:				
Local sources	\$ 3,896,685	\$ 4,139,110	\$ 3,350,760	\$ 3,484,577
Intermediate sources	-	-	2,500	-
State sources	9,255,743	9,626,215	10,407,909	10,249,126
Federal sources	3,463,042	3,201,500	2,463,406	3,087,896
Sixteenth section sources	156,500	576,674	451,314	187,485
Total revenues	<u>16,771,970</u>	<u>17,543,499</u>	<u>16,675,889</u>	<u>17,009,084</u>
Expenditures:				
Instruction	9,329,810	10,055,056	9,936,851	10,114,136
Support services	5,210,015	5,138,367	5,204,583	5,333,052
Non-instructional services	1,112,047	1,176,170	1,173,710	1,194,572
Sixteenth section	68,096	38,965	19,679	5,662
Facilities acquisition and construction	1,180,613	146,507	926,944	2,307,309
Debt Service:				
Principal	359,413	377,409	420,996	208,659
Interest	49,933	66,095	53,622	41,403
Other	25	-	4,348	-
Total expenditures	<u>17,309,952</u>	<u>16,998,569</u>	<u>17,740,733</u>	<u>19,204,793</u>
Excess (deficiency) of revenues over expenditures	<u>(537,982)</u>	<u>544,930</u>	<u>(1,064,844)</u>	<u>(2,195,709)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	3,000,000	-	-	1,200,000
Insurance loss recoveries	73,561	-	18	-
Sale of transportation equipment	2,667	2,350	2,500	2,500
Operating transfers in	794,082	948,625	1,708,284	3,553,887
Operating transfers out	(794,082)	(948,625)	(1,708,284)	(3,553,887)
Total Other Financing Sources (uses)	<u>3,076,228</u>	<u>2,350</u>	<u>2,518</u>	<u>1,202,500</u>
Net Change in Fund Balances	<u>2,538,246</u>	<u>547,280</u>	<u>(1,062,326)</u>	<u>(993,209)</u>
Fund balances:				
Beginning Balance, as originally reported	4,214,641	3,313,443	4,380,654	5,403,935
Prior period adjustments	6,049	356,036	(9,819)	(31,015)
Beginning Balance, as restated	<u>4,220,690</u>	<u>3,669,479</u>	<u>4,370,835</u>	<u>5,372,920</u>
Increase (decrease) in reserve for inventory	3,543	(2,118)	4,934	943
Ending Balance	<u>\$ 6,762,479</u>	<u>\$ 4,214,641</u>	<u>\$ 3,313,443</u>	<u>\$ 4,380,654</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

February 26, 2014

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, 2011, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated February 26, 2014. 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

Management of the school district is responsible for establishing and maintaining effective 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 and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. Findings 2011-01, 2011-02, 2011-03, 2011-04 and 2011-05

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 of the school district in a separate letter dated February 26, 2014, 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,



D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 26, 2014

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, 2011. 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, 2011.

Internal Control Over Compliance

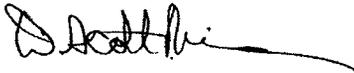
The management of the Greene County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Greene County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in 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,



D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

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

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

February 26, 2014

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, 2011, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated February 26, 2014. 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 instances of noncompliance. The noncompliance is reported in finding number 4 below. The district reported \$10,929 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding No. 1: Per Section 37-6-15(1), Miss. Code Ann. (1972), the law states that "Before entering upon the discharge of the duties of his office, each member of the board shall give a surety bond in the penal sum of fifty thousand dollars (\$50,000), with sufficient surety, to be payable, conditioned and approved in the manner provided by law."

Per Section 25-1-19(1), Miss. Code Ann. (1972), states that "The bonds of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county."

During our testing of surety bonds, we found that two (2) board members were not bonded and therefore the bonds were not filed and recorded in the office of the chancery court of the county.

Recommendation: We recommend that all school board members comply with Section 37-6-15(1), Miss. Code Ann. (1972), and purchase the required surety bond in the amount of fifty thousand dollars (\$50,000), and file and record the bond in the office of the chancery court of the county in which the school district is located.

Response: Bonds will be obtained and recorded as required.

Finding No. 2: Per Section 37-9-31, Miss. Code Ann. (1972), the law states that "All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than fifty thousand dollars (\$50,000), with sufficient surety."

During our review of surety bonds for the principals, we found that the principals' surety bonds were issued for twenty-five thousand dollars (\$25,000), an inappropriate amount.

Recommendation: We recommend that all principals purchase surety bonds in the amount of fifty thousand dollars (\$50,000) as required in Section 37-9-31, Miss. Code Ann. (1972), and that all surety bonds be filed and recorded in the office of the clerk of the chancery court of the county in which the school district is located.

Response: Bonds will be obtained and recorded as required.

Finding No. 3: Considering that the funds of the school are public funds and per Section 37-7-333, Miss. Code Ann. (1972), the law states that "The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years."

During the audit we did not note in the minutes of the board of trustees any indication of the school taking bids for the school depository for the last several fiscal years. When we inquired, the school business manager said that they had not taken bids due to the cost of advertising and the small interest return.

Recommendation: The district should comply with Section 37-7-333, Miss. Code Ann. (1972), which requires that the school advertise for bids for a school depository no less than once every three years and document the process in the minutes.

Response: Advertisement for depository will be made prior to July 1, 2014.

Finding No. 4 No federally funded teacher should receive Educational Enhancement monies for classroom supplies. 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 of a school district who is required by law to obtain a teacher's license from the State Department of Education and who is assigned to an instructional area or work as defined by the department, but shall not include a federally funded teacher."

During our review of Educational Enhancement allocation and expenditures, we noted that the federally funded teachers did receive and expend an allocation from Educational Enhancement funds.

Recommendation: We recommend that the school follow Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), and not give federally funded teachers an allowance from Educational Enhancement funds.

Response: EEF funds are now distributed via state purchasing cards. Only non-federally funded teachers will be issued a purchasing card.

Finding No. 5 Section 25-11-127, Miss. Code Ann. (1972), states that when rehiring a retiree that "notice shall be given in writing to the executive director (of the Public Employees Retirement System (PERS)), setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment."

During our review of PERS form 4b (Reemployment of PERS Service Retiree Certification/Acknowledgement), we found four (4) forms that were not filed within five (5) days of employment.

Recommendation: We recommend that the school file PERS form 4b within five (5) days of employing a PERS retiree as required by Section 25-11-127, Miss. Code Ann. (1972).

Response: The District will comply with filing deadline for PERS forms.

Finding No. 6 Section 31-7-305(3), Miss. Code Ann. (1972), states that, "If a warrant or check, as the case may be, in payment of an invoice is not mailed or otherwise delivered within forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods and services, the public body shall be liable to the vendor, in addition to the amount of the invoice, for interest at a rate of one and one-half percent (1-1/2%) per month or portion thereof on the unpaid balance from the expiration of such forty-five-day period until such time as the warrant or check is mailed or otherwise delivered to the vendor."

During our review of general expenditures, we noted (7) invoices were paid after the forty-five day statute of limitations and there was no interest paid to the vendor.

Recommendation: We recommend that all invoices be paid within the forty-five day statute of limitations.

Response: The District will make every effort to pay invoices within 45 days of receipt, provided there is no dispute regarding the invoices.

Finding No. 7 Section 31-7-13(b), Miss. Code Ann. (1972), states that, "Purchases which involve an expenditure of more than five thousand dollars (\$5,000) but not more than fifty thousand dollars (\$50,000), exclusive of freight and shipping charges may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive bids have been obtained."

Section 31-7-13(m), Miss. Code Ann. (1972), states that, "In connection with the purchase of noncompetitive items only available from one (1) source, a certification of the conditions and circumstances requiring the purchase shall be filed by the agency with the . . . board of the governing authority. Upon the receipt of that certification . . . the board of the governing authority, as the case may be, in writing, authorize the purchase, which authority shall be noted on the minutes of the body at the next regular meeting thereafter."

During our review of the general expenditures, there were (3) purchases that were greater than five thousand dollars (\$5,000) aggregately, from two (2) vendors that the school did not obtain either two (2) or more written competitive bids or documentation for a single source purchase.

Recommendation: We recommend that the school follow State law when making purchases of more than five thousand dollars (\$5,000), and get the two (2) written competitive bids or documentation for a single source purchase.

Response: The District will follow state purchasing laws when making purchases. Quotes or bids will be obtained as required.

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

The Greene County School District's responses to the findings included in this report were not audited 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,

A handwritten signature in black ink, appearing to read "D. Scott Nieman", with a long horizontal flourish extending to the right.

D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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

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. ARRA State Fiscal Stabilization Fund-Education state grants, Recovery Act | CFDA# 84.394 |
| c. Educational Jobs Fund | CFDA# 84.410 |
| 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? | No |

GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section 2: Financial Statement Findings:

Significant Deficiencies Considered to be Material Weaknesses

2011-01 Controls Over Cafeteria and Activity Funds Receipts Should Be Strengthened

Finding

As reported in the prior years' 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 and club fund revenues, we found that the district had inadequate controls with regard to safeguarding receipts. We found twenty-seven (27) deposits of cafeteria receipts were not deposited timely and one (1) deposit of activities receipts was not deposited timely.

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, deposited timely and that revenue is properly recorded and recognized in the appropriate fiscal period.

2011-02 Controls Over General and Club Funds Expenditures Should Be Strengthened

Finding

As reported in the prior years' audit report, management is responsible for ensuring that support for all expenditures made from the general fund and the club funds are paid timely.

During our review of club fund expenditures, we noted that the check for one (1) invoice did not match the invoice amount and one (1) instance where the invoice was not cancelled.

During our review of the general expenditures, we noted that one (1) order was placed prior to the purchase order date and three (3) invoices were paid without documentation of management's approval.

Recommendation

We recommend the district implement procedures to ensure that an order is placed after an approved purchase order is received and that all invoices are cancelled by marking them paid.

GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

Section 2: Financial Statement Findings: (continued)

Significant Deficiencies Considered to be Material Weaknesses (continued)

2011-03 Controls Should be Supported by Adequate Payroll Documentation

Finding

As reported in the prior years' audit report, 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 payroll deductions from employees' pay was incomplete or nonexistent for one (1) employee.

As a result of improper internal controls for payroll deductions, payroll deductions were made without proper documentation and authorization.

Unauthorized deductions could result in the employee being improperly compensated and a liability for the 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.

2011-04 Controls over Fixed Assets Should be Strengthened

As stated in the Mississippi Public School Asset Management Manual that is available online from the Office of the State Auditor, in Chapter II-Fixed Assets Policy, "The school district must use the following data elements for recording fixed assets: major asset class, acquisition date, location code, inventory tag number, description of item including serial number, acquisition cost; funding source; and check/purchase order number.

During our test of fixed assets, we found the following:

1. Numerous assets on inventory with no serial number;
2. Three (3) assets found during the existence test that were not marked with an asset number;
3. Two (2) assets identified during the existence test that were not listed on the overall asset printout.

Recommendation

We recommend that the school district follow the Mississippi Public School Asset Management Manual and assign correct values to all assets, record all the asset serial numbers in the computer file, mark all assets with inventory numbers, and ensure that the asset list is a complete list of all assets owned by the district.

GREENE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section 2: Financial Statement Findings: (continued)

Significant Deficiencies Considered to be Material Weaknesses (continued)

2011-05 Controls over Bank Reconciliations Should be Strengthened

During our audit, the business manager did not provide complete bank reconciliations to us. An effective system of internal control should include properly maintaining cash journals and reconciling the bank statements to the cash journals. Complete bank reconciliations for the accounts payable account and the payroll clearing account that balanced to the cash in the general ledger were not provided during the audit.

Failure to reconcile the bank statements to the cash journal on a timely basis and ensure that the cash journals agree with the general ledger could result in the loss of public funds and the misstatement of cash in the financial statements.

We also noted that someone other than the reconciler was not reviewing and signing off on the bank reconciliations on a monthly basis.

Recommendation

We recommend that the bank statements be reconciled timely on a monthly basis and balanced to the general ledger, and that someone other than the reconciler review and approve of the bank reconciliations by signing and dating the reconciliations.

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.

AUDITEE'S CORRECTIVE ACTION PLAN

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GREENE COUNTY SCHOOL DISTRICT

Richard L. Fleming, Superintendent of Education

Dennis Cochran, Business Administrator

P O Box 1329 Leakesville MS 39451

Phone 601.394.2364 Ext 1002

April 28, 2012

Nieman & Associates PC

P O Box 1411

McComb MS 39649

We have received your financial statement findings related to material weaknesses noted during your routine audit of fiscal year 2010. We supply the following corrective actions:

2011-01. **Controls Over Cafeteria and Activity Funds Receipts Should Be Strengthened.** Two of our school sites are located in excess of 20 miles from the nearest bank depository. We understand the need to make daily deposits however, with limited school support personnel there are days when deposits cannot be made. We will direct that, regardless of circumstances, deposits shall be made a minimum of twice weekly. Any funds left on campus overnight shall be receipted on the day received and locked in a fireproof cabinet for safekeeping until the deposit is made.

2011-02. **Controls Over General and Club Funds Expenditures Should Be Strengthened.** Finding is duly noted and will be addressed with support staff responsible for ensuring compliance.

2011-03. **Controls Should be Supported by Adequate Payroll Documentation.** The district has implemented new procedures to verify that supporting documentation is obtained/maintained for every employee's payroll deductions.

2011-04. **Controls for Fixed Assets Should Be Strengthened.** The district will review fixed asset listings for missing serial numbers. Additional reporting methods have been implemented with fixed asset clerks at each campus for improved recording of fixed assets.

2011-05. **Controls over Bank Reconciliations Should Be Strengthened.** The district will implement procedures requiring timely adjustments to ledgers as reconciliations are performed. Reconciliations will be reviewed, dated and signed by an authorizing party.

We thank you for each of your recommendations and will diligently strive to improve our policies/processes to address these weaknesses.

Sincerely,



Dennis Cochran

Business Administrator

