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GREENE COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2012**

**Presented by:
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GREENE COUNTY SCHOOL DISTRICT

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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**

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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012, 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 November 6, 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, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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

November 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2012

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, 2012. 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 2012 increased \$208,005, including a prior period adjustment of \$(31,266), which represents a 2% increase from fiscal year 2011. 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.
- General revenues amounted to \$14,016,737 and \$12,852,827, or 74% and 76% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,826,644, or 26% of total revenues for 2012, and \$3,992,964, or 24% of total revenues for 2011.
- The District had \$18,604,110 and \$16,133,927 in expenses for fiscal years 2012 and 2011; only \$4,826,644 for 2012 and \$3,992,964 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,016,737 for 2012 and \$12,852,827 for 2011 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,446,260 in revenues and \$13,329,701 in expenditures for 2012, and \$12,469,520 in revenues and \$11,223,583 in expenditures in 2011. The General Fund's fund balance decreased by \$863,965, including a prior period adjustment of \$10,056, from 2011 to 2012, and increased by \$542,500, including a prior period adjustment of \$14,417, from 2010 to 2011.
- Capital assets, net of accumulated depreciation, increased by \$1,656,576 for 2012 and increased by \$795,343 for 2011. The increase for 2012 was due primarily to the ongoing construction of school facilities and the addition of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$289,733 for 2012 and increased by \$2,633,625 for 2011. The decrease for 2012 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$15,360 for 2012 and decreased by \$6,962 for 2011.

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,

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2012

with the differences between the two reported as "net assets." Over time, increases or decreases in the 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.

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

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2012

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 \$11,332,746 as of June 30, 2012.

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.

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2012

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Percentage Change
Current assets	\$ 4,679,441	\$ 4,440,977	5.37 %
Restricted assets	993,579	2,999,859	(66.88) %
Capital assets, net	10,064,341	8,407,765	19.70 %
Total assets	<u>15,737,361</u>	<u>15,848,601</u>	(0.70) %
Current liabilities	671,735	701,247	(4.21) %
Long-term debt outstanding	3,732,880	4,022,613	(7.20) %
Total liabilities	<u>4,404,615</u>	<u>4,723,860</u>	(6.76) %
Net assets:			
Invested in capital assets, net of related debt	6,493,046	6,350,739	2.24 %
Restricted	1,961,457	3,131,215	(37.36) %
Unrestricted	2,878,243	1,642,787	75.20 %
Total net assets	<u>\$ 11,332,746</u>	<u>\$ 11,124,741</u>	1.87 %

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 \$1,656,576.
- The principal retirement of \$305,093 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$18,843,381 and \$16,845,791, respectively. The total cost of all programs and services was \$18,604,110 for 2012 and \$16,133,927 for 2011.

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2012

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,012,425	\$ 739,691	36.87 %
Operating grants and contributions	3,814,219	3,253,273	17.24 %
General revenues:			
Property taxes	3,547,584	2,942,118	20.58 %
Grants and contributions not restricted	9,862,145	9,609,404	2.63 %
Investment earnings	29,459	40,260	(26.83) %
Sixteenth section sources	461,044	140,877	227.27 %
Other	116,505	120,168	(3.05) %
Total revenues	<u>18,843,381</u>	<u>16,845,791</u>	11.86 %
Expenses:			
Instruction	10,942,737	9,333,118	17.25 %
Support services	6,054,226	5,574,422	8.61 %
Non-instructional	1,259,025	1,116,690	12.75 %
Sixteenth section	18,048	68,096	(73.50) %
Interest on long-term liabilities	330,074	41,601	693.43 %
Total expenses	<u>18,604,110</u>	<u>16,133,927</u>	15.31 %
Increase (Decrease) in net assets	<u>239,271</u>	<u>711,864</u>	(66.39) %
Net Assets, July 1, as originally reported	<u>11,124,741</u>	<u>10,406,828</u>	6.90 %
Prior Period Adjustment	<u>(31,266)</u>	<u>6,049</u>	(616.88) %
Net Assets, July 1, as restated	<u>11,093,475</u>	<u>10,412,877</u>	6.54 %
Net Assets, June 30	<u>\$ 11,332,746</u>	<u>\$ 11,124,741</u>	1.87 %

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 liabilities. 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, 2012

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2012	2011	
Instruction	\$ 10,942,737	\$ 9,333,118	17.25 %
Support services	6,054,226	5,574,422	8.61 %
Non-instructional	1,259,025	1,116,690	12.75 %
Sixteenth section	18,048	68,096	(73.50) %
Interest on long-term liabilities	330,074	41,601	693.43 %
Total expenses	\$ 18,604,110	\$ 16,133,927	15.31 %

	Net (Expense) Revenue		Percentage Change
	2012	2011	
Instruction	\$ (8,293,322)	\$ (7,130,662)	16.31 %
Support services	(5,263,193)	(4,909,182)	7.21 %
Non-instructional	61,646	8,578	618.65 %
Sixteenth section	47,477	(68,096)	(169.72) %
Interest on long-term liabilities	(330,074)	(41,601)	693.43 %
Total net (expense) revenue	\$ (13,777,466)	\$ (12,140,963)	13.48 %

- Net cost of governmental activities (\$13,777,466 for 2012 and \$12,140,963 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$3,547,584 for 2012 and \$2,942,118 for 2011) and state and federal revenues (\$9,862,145 for 2012 and \$9,609,404 for 2011). In addition, there was \$461,044 and \$140,877 in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$29,459 for 2012 and \$40,260 for 2011.

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 \$5,171,409, a decrease of \$1,591,070, which includes a prior period adjustment of \$(31,266) and a decrease in inventory of \$19,441. \$693,389, or 13%, 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 \$4,478,020, or 87%, 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.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the

GREENE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2012

General Fund for the fiscal year was \$863,965, which includes a prior period adjustment of \$10,056. The fund balance of Other Governmental Funds showed an increase in the amount of \$525,783, which includes a prior period adjustment of \$(40,322). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	104,168
Sixteenth Section Interest Fund	\$	457,416
QSCB Construction Fund	\$	(1,819,362)
Sixteenth Section Principal Fund	\$	4,890

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, 2012, the District's total capital assets were \$16,479,623, 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 \$1,962,722 from 2011, due primarily to the ongoing construction of school facilities and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2012, was \$6,415,282, and total depreciation expense for the year was \$341,393, resulting in total net capital assets of \$10,064,341.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 33,084	\$ 33,084	0.00 %
Construction in Progress	3,017,516	1,058,801	184.99 %
Buildings	4,409,853	4,538,253	(2.83) %
Building improvements	1,724,100	1,808,430	(4.66) %
Improvements other than buildings	239,928	252,841	(5.11) %
Mobile equipment	364,434	396,850	(8.17) %
Furniture and equipment	69,336	62,431	11.06 %
Leased property under capital leases	206,090	257,075	(19.83) %
Total	\$ 10,064,341	\$ 8,407,765	19.70 %

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, 2012

Debt Administration. At June 30, 2012, the District had \$3,732,880 in outstanding long-term debt, of which \$196,143 is due within one year. During the fiscal year, the District made principal payments totaling \$305,093 on outstanding long-term debt. The liability for compensated absences increased \$15,360 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 480,000	\$ 630,000	(23.81) %
Obligations under capital leases	91,295	246,388	(62.95) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	161,585	146,225	10.50 %
Total	\$ 3,732,880	\$ 4,022,613	(7.20) %

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, 2012

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,201,378
Due from other governments	1,456,338
Inventories	21,725
Restricted assets	993,579
Capital assets, non-depreciable:	
Land	33,084
Construction in progress	3,017,516
Capital assets, net of accumulated depreciation:	
Buildings	4,409,853
Building improvements	1,724,100
Improvements other than buildings	239,928
Mobile equipment	364,434
Furniture and equipment	69,336
Leased property under capital leases	206,090
Total Assets	<u>15,737,361</u>
Liabilities	
Accounts payable and accrued liabilities	478,643
Due to other governments	17,388
Unearned revenue	5,580
Interest payable on long-term liabilities	170,124
Long-term liabilities, due within one year:	
Capital related liabilities	191,295
Non-capital related liabilities	4,848
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,380,000
Non-capital related liabilities	156,737
Total Liabilities	<u>4,404,615</u>
Net Assets	
Invested in capital assets, net of related debt	6,493,046
Restricted net assets:	
Expendable:	
School - based activities	549,763
Debt Service	386,995
Forestry improvements	171,282
Unemployment benefits	62,863
Non-expendable:	
Sixteenth section	790,554
Unrestricted	2,878,243
Total Net Assets	<u>\$ 11,332,746</u>

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

GREENE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2012

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					Governmental Activities
Instruction	\$ 10,942,737	\$ 518,008	\$ 2,131,407	\$ -	\$ (8,293,322)
Support services	6,054,226	244,144	546,889	-	(5,263,193)
Non-instructional	1,259,025	184,748	1,135,923	-	61,646
Sixteenth section	18,048	65,525	-	-	47,477
Interest on long-term liabilities	330,074	-	-	-	(330,074)
Total governmental activities	\$ 18,604,110	\$ 1,012,425	\$ 3,814,219	\$ -	(13,777,466)
General Revenues:					
Taxes:					
General purpose levies					
2,904,676					
Debt purpose levies					
642,908					
Unrestricted grants and contributions:					
State					
9,496,434					
Federal					
365,711					
Unrestricted investment earnings					
29,459					
Sixteenth section sources					
461,044					
Other					
116,505					
Total General Revenues					
14,016,737					
Change in Net Assets					
239,271					
Net Assets - Beginning, as originally reported					
11,124,741					
Prior period adjustments					
(31,266)					
Net Assets - Beginning - as restated					
11,093,475					
Net Assets - Ending					
\$ 11,332,746					

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

GREENE COUNTY SCHOOL DISTRICT
 Balance Sheet – Governmental Funds
 June 30, 2012

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Sixteenth Section Interest Fund	QSCB Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 104,658	\$ 583,063	\$ 1,970,101	\$ 34,494	\$ 849,087	\$ 543,556	\$ 4,084,959
Cash with fiscal agents				\$ 109,998			\$ 109,998
Due from other governments	309,714	-	-	-	-	583,480	893,194
Due from other funds	887,100	15,000	117,000	-	-	-	1,019,100
Inventories	-	21,725	-	-	-	-	21,725
Total Assets	\$ 1,301,472	\$ 619,788	\$ 2,087,101	\$ 144,492	\$ 849,087	\$ 1,127,036	\$ 6,128,976
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 274,390	\$ 57,411	\$ -	\$ 90,250	\$ -	\$ 56,592	\$ 478,643
Due to other funds	132,788	44,592	100	54,242	-	241,622	473,344
Unearned revenue	-	-	-	-	-	5,580	5,580
Total Liabilities	407,178	102,003	100	144,492	-	303,794	957,567
Fund Balances:							
Nonspendable:							
Inventory	-	21,725	-	-	-	-	21,725
Permanent fund principal	-	-	-	-	790,554	-	790,554
Restricted:							
Debt Service	-	-	-	-	-	557,119	557,119
Forestry improvement purposes	-	-	-	-	-	171,282	171,282
Grant activities	-	-	-	-	-	31,978	31,978
Unemployment benefits	-	-	-	-	-	62,863	62,863
Sixteenth section	-	-	-	-	-	-	-
Food service	-	496,060	-	-	-	-	496,060
Other purposes	-	-	-	-	-	-	-
Assigned:							
Activity funds	200,905	-	-	-	-	-	200,905
Sixteen Section	-	-	2,087,001	-	58,533	-	2,145,534
Unassigned	693,389	-	-	-	-	-	693,389
Total Fund Balances	894,294	517,785	2,087,001	-	849,087	823,242	5,171,409
Total Liabilities and Fund Balances	\$ 1,301,472	\$ 619,788	\$ 2,087,101	\$ 144,492	\$ 849,087	\$ 1,127,036	\$ 6,128,976

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

GREENE COUNTY SCHOOL DISTRICT**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2012**Exhibit C-1

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 5,171,409
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	3,017,516
Buildings	8,309,170
Building improvements	2,108,241
Improvements other than buildings	600,141
Mobile equipment	1,450,648
Furniture and equipment	403,822
Leased property under capital leases	557,001
Accumulated depreciation	<u>(6,415,282)</u>
	10,064,341
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	(480,000)
Capital lease obligations	(91,295)
Compensated absences	(161,585)
Accrued interest payable	<u>(170,124)</u>
	<u>(3,903,004)</u>
Net assets of governmental activities	\$ <u>11,332,746</u>

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

GREENE COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2012

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Sixteenth Section Interest Fund	QSCB Construction Fund	Sixteenth Section Principal Fund		
Revenues:							
Local sources	\$ 3,760,692	\$ 187,354	\$ 7,982	\$ -	\$ -	\$ 643,280	\$ 4,599,308
State sources	9,570,435	13,611	-	-	-	401,021	9,985,067
Federal sources	115,133	1,071,977	-	-	-	2,303,498	3,490,608
Sixteenth section sources	-	-	450,458	-	4,890	68,906	524,254
Total Revenues	13,446,260	1,272,942	458,440	-	4,890	3,416,705	18,599,237
Expenditures:							
Instruction	8,263,205	-	-	-	-	2,687,013	10,950,218
Support services	4,835,793	76,359	-	-	-	815,797	5,727,949
Noninstructional services	160,893	1,072,974	-	-	-	7,014	1,240,881
Sixteenth section	-	-	-	-	-	18,048	18,048
Facilities acquisition and construction	-	-	-	1,958,715	-	-	1,958,715
Debt service:							
Principal	68,197	-	-	-	-	236,896	305,093
Interest	1,613	-	-	-	-	152,054	153,667
Other	-	-	-	-	-	29,173	29,173
Total Expenditures	13,329,701	1,149,333	-	1,958,715	-	3,945,995	20,383,744
Excess (Deficiency) of Revenues Over Expenditures	116,559	123,609	458,440	(1,958,715)	4,890	(529,290)	(1,784,507)
Other Financing Sources (Uses):							
Insurance loss recoveries	244,144	-	-	-	-	-	244,144
Payments held by escrow agent	-	-	-	-	-	109,998	109,998
Payment to QSCB debt escrow agent	-	-	-	-	-	(109,998)	(109,998)
Operating transfers in	-	-	-	139,329	-	1,095,395	1,234,724
Operating transfers out	(1,234,724)	-	-	-	-	-	(1,234,724)
Total Other Financing Sources (Uses)	(990,580)	-	-	139,329	-	1,095,395	244,144
Net Change in Fund Balances	(874,021)	123,609	458,440	(1,819,386)	4,890	566,105	(1,540,363)
Fund Balances:							
July 1, 2011, as originally reported	1,758,259	413,617	1,629,585	1,819,362	844,197	297,459	6,762,479
Prior period adjustments	10,056	-	(1,024)	24	-	(40,322)	(31,266)
July 1, 2011, as restated	1,768,315	413,617	1,628,561	1,819,386	844,197	257,137	6,731,213
Increase (Decrease) in reserve for inventory	-	(19,441)	-	-	-	-	(19,441)
June 30, 2012	\$ 894,294	\$ 517,785	\$ 2,087,001	\$ -	\$ 849,087	\$ 823,242	\$ 5,171,409

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, 2012

Exhibit D-1

	<u>Amount</u>	
Net Change in fund balances - total governmental funds	\$ (1,540,363)	
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	\$ 1,998,325	
Depreciation expense	<u>(341,393)</u>	1,656,932
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.		
		(356)
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:		
Payments of debt principal	\$ 305,093	
Accrued interest payable	<u>(147,234)</u>	157,859
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	\$ (15,360)	
Change in inventory reserve	<u>(19,441)</u>	<u>(34,801)</u>
Change in Net Assets of Governmental Activities		<u>\$ 239,271</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, 2012

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,525,963
Due from other funds	<u>17,388</u>
Total Assets	<u><u>1,543,351</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 888,027
Due to other funds	563,144
Due to student clubs	<u>92,180</u>
Total Liabilities	<u><u>\$ 1,543,351</u></u>

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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2012

(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.

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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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.

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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2012

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. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

School Food Service Fund – This fund accounts for food distribution, the school breakfast program, national school lunch program and child and adult care food program as applicable.

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 Qualified 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 that are legally restricted or committed to expenditure for specific expenditure purposes other than major capital projects.

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are 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, 2012

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, and Financial Statement Presentation

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 recorded 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 inter-fund 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, 2012

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/fund balances

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, 2012

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, e.g. Qualified Zone Academy Bond sinking funds.. 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.

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 applicable 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, 2012

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 liability 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 liability for compensated absence 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. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximated the effective interest method.

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.

Committed fund balance included amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2012

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.

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, Cash with Fiscal Agents, and Investments

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.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,194,957 and \$1,525,963, respectively.

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, 2012, none of the district's bank balance of \$6,327,589 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$109,998.

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2012

(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	Other governmental funds	\$ 241,622
General Fund	Sixteen Section Interest Fund	100
General Fund	School Food Service Fund	42,992
General Fund	Qualified School Construction Fund	54,242
General Fund	Agency Funds	548,144
School Food Service Fund	Agency Funds	15,000
Sixteenth Section Interest Fund	General Fund	117,000
Agency Funds	General Fund	15,788
Agency Funds	School Food Service Fund	1,600
Total Funds		<u>\$ 1,036,488</u>

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

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other Governmental	\$ 1,095,395
General fund	Qualified School Construction Fund	139,329
Total Funds		<u>\$ 1,234,724</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 \$849,087 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 represents the cash balance and cash with fiscal agent balance, totaling \$34,494 and \$109,998, respectively, of the QSCB Bond Retirement Fund.

GREENE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

(5) Capital Assets

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

	Balance 7/1/2011	Additions	Retirements	Completed Construction	Balance 6/30/2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 33,084	\$ -	\$ -	\$ -	\$ 33,084
Construction in Progress	1,058,801	1,958,715	-	-	3,017,516
Total non-depreciable capital assets	<u>\$ 1,091,885</u>	<u>\$ 1,958,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,050,600</u>
<u>Depreciable capital assets:</u>					
Buildings	\$ 8,309,170	\$ -	\$ -	\$ -	\$ 8,309,170
Building improvement	2,108,241	-	-	-	2,108,241
Improvements other than buildings	600,141	-	-	-	600,141
Mobile equipment	1,442,291	8,357	-	-	1,450,648
Furniture and equipment	322,682	31,253	(28,553)	78,440	403,822
Leased property under Capital Leases	642,491	-	(7,050)	(78,440)	557,001
Total depreciable capital assets	<u>\$ 13,425,016</u>	<u>\$ 39,610</u>	<u>\$ (35,603)</u>	<u>\$ -</u>	<u>\$ 13,429,023</u>
<u>Less accumulated depreciation for:</u>					
Buildings	\$ (3,770,917)	(128,400)	\$ -	\$ -	\$ (3,899,317)
Building improvement	(299,811)	(84,330)	-	-	(384,141)
Improvements other than buildings	(347,300)	(12,913)	-	-	(360,213)
Mobile equipment	(1,045,441)	(40,773)	-	-	(1,086,214)
Furniture and equipment	(260,251)	(24,847)	28,268	(77,656)	(334,486)
Leased property under Capital Leases	(385,416)	(50,130)	6,979	77,656	(350,911)
Total accumulated depreciation	<u>(6,109,136)</u>	<u>(341,393)</u>	<u>35,247</u>	<u>-</u>	<u>(6,415,282)</u>
Total depreciable capital assets, net	<u>7,315,880</u>	<u>(301,783)</u>	<u>(356)</u>	<u>-</u>	<u>7,013,741</u>
Governmental activities capital assets, net	<u>\$ 8,407,765</u>	<u>\$ 1,656,932</u>	<u>\$ (356)</u>	<u>\$ -</u>	<u>\$ 10,064,341</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 11,501
Support services	322,081
Non-instructional	7,811
Total depreciation expense	<u>\$ 341,393</u>

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2012

(5) Capital Assets (Continued)

Construction in progress is composed of:

	Spent to June 30, 2012	Remaining Commitment
Classrooms at various schools in the District	<u>\$ 3,017,516</u>	<u>\$ 147,900</u>
Total	<u>\$ 3,017,516</u>	<u>\$ 147,900</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 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amount Due within one year
A. Three mill note payable	\$ 630,000	\$ -	\$ 150,000	\$ 480,000	\$ 100,000
B. Obligations under capital lease	246,388	-	155,093	91,295	91,295
C. Qualified School Construction Bonds	3,000,000	-	-	3,000,000	-
D. Compensated absences payable	146,225	15,360	-	161,585	4,848
Total	<u>\$ 4,022,613</u>	<u>\$ 15,360</u>	<u>\$ 305,093</u>	<u>\$ 3,732,880</u>	<u>\$ 196,143</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Three mill notes payable.

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	\$ 480,000
Total				<u>\$ 1,200,000</u>	<u>\$ 480,000</u>

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

Year Ending June 30	Principal	Interest	Total
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>\$ 480,000</u>	<u>\$ 90,946</u>	<u>\$ 570,946</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, 2012

(6) Long-term liabilities (Continued)

B. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$557,000, with no down payment. This lease qualifies as a capital leases for accounting purposes.

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.

	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
School Buses	5.00%	5/23/2006	4/15/2013	\$ 557,000	\$ 91,295
Total				\$ 557,000	\$ 91,295

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 91,295	\$ 3,438	\$ 94,733
Total	\$ 91,295	\$ 3,438	\$ 94,733

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

C. Qualified school construction bonds payable

As more fully explained in Note 14, 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				\$ 3,000,000	\$ 3,000,000

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2012

C. Qualified school construction bonds payable (Continued):

Year Ending June 30	Principal	Interest Payable	Less Anticipated Refundable Credit Payment	Total
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	\$ 3,000,000	\$ 2,359,000	\$ 2,254,000	\$ 3,105,000

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) Other Commitments

Commitment under construction contracts are described in Note 5.

Operating Leases:

The School District has several operating leases for the following:

1. Pitney Bowes Postage Meter
2. Canon Financial Services - Thirteen (13) Copiers

Lease expenditures for the year ended June 30, 2012, amounted to \$50,606.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2013	\$ 20,688
2014	22,488
2015	21,822
2016	21,600
2017	10,800
Total	\$ 97,398

(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, 2012

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 employer's rate as of June 30, 2012 was 12.93% of the 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, 2012, 2011 and 2010 were \$1,277,921, \$1,133,751, and \$1,195,581, 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	Amount
June 30	
2013	\$ 108,600
2014	12,602
2015	12,602
2016	12,602
2017	12,602
2018-2022	53,500
2023-2027	41,420
2028-2032	25,450
2033-2037	1,700
Total	<u>\$ 281,078</u>

(10) Prior Period Adjustments

A summary of significant Net Asset/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.	(31,266)
Total	<u>\$ (31,266)</u>

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2012

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.	\$ 10,056
Other Governmental Funds	To correct the recording of prior year adjustments and to correct beginning fund balances in various funds.	(41,322)
Total		<u>\$ (31,266)</u>

(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 ultimate liability resulting from these lawsuits will not 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 consists of approximately eighty-four (84) school districts and covers risks of loss arising from injuries to the member'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 by Wells Fargo in Portland, Oregon.. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, 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 member school districts 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

GREENE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2012

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, 2012 was \$109,998. 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.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2013	144,999
2014	144,999
2015	154,998
2016	159,999
2017-2021	1,109,994
2022-2026	1,175,013
Total	<u>\$ 2,890,002</u>

(14) Insurance Loss Recoveries

The Greene County School District received insurance loss recoveries totalling \$244,144 related to storm damage to the Greene County Vocational Facility, during the 2011-2012 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.

(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 November 6, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

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

GREENE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

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.

GREENE COUNTY SCHOOL DISTRICT

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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, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,473,800	\$ 3,551,924	\$ 3,760,692	\$ 78,124	\$ 208,768
State sources	9,460,193	9,520,545	9,570,435	60,352	49,890
Federal sources	137,435	365,712	115,133	228,277	(250,579)
Sixteenth section sources	-	8,079	-	8,079	(8,079)
Total Revenues	13,071,428	13,446,260	13,446,260	374,832	-
Expenditures:					
Instruction	7,657,885	8,395,171	8,263,205	(737,286)	131,966
Support services	4,321,093	5,035,106	4,835,793	(714,013)	199,313
Noninstructional services	170,000	210,644	160,893	(40,644)	49,751
Debt services:					
Principal	-	-	68,197	-	(68,197)
Interest	2,977	-	1,613	2,977	(1,613)
Other	-	2,645	-	(2,645)	2,645
Total Expenditures	12,151,955	13,643,566	13,329,701	(1,491,611)	313,865
Excess (Deficiency) of Revenues Over Expenditures	919,473	(197,306)	116,559	(1,116,779)	313,865
Other Financing Sources (Uses):					
Sale of transportation equipment	-	-	-	-	-
Insurance loss recoveries	-	244,145	244,145	244,145	-
Operating transfers in	1,768,014	1,594,195	-	(173,819)	(1,594,195)
Operating transfers (out)	(2,171,847)	(2,689,590)	(1,234,724)	(517,743)	1,454,866
Total Other Financing Sources (Uses)	(403,833)	(851,250)	(990,580)	(447,417)	(139,329)
Net Change in Fund Balances	515,640	(1,048,556)	(874,021)	(1,564,196)	174,535
Fund Balances:					
July 1, 2011, as originally reported	-	1,602,847	1,758,259	1,602,847	155,412
Prior period adjustments	-	20,427	10,056	20,427	(10,371)
July 1, 2011, as restated	-	1,623,274	1,768,315	1,623,274	145,041
June 30, 2012	\$ 515,640	\$ 574,718	\$ 894,294	\$ 59,078	\$ 319,576

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

GREENE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ 337,400	\$ 187,354	\$ 187,354	\$ (150,046)	\$ -
State sources	5,000	13,611	13,611	8,611	-
Federal Sources	1,030,000	1,071,977	1,071,977	41,977	-
Total Revenues	<u>1,372,400</u>	<u>1,272,942</u>	<u>1,272,942</u>	<u>(99,458)</u>	<u>-</u>
Expenditures:					
Support services	92,914	76,359	76,359	16,555	-
Noninstructional services	811,994	1,093,857	1,072,974	(281,863)	20,883
Debt service:					
Principal	10,504	-	-	10,504	-
Total Expenditures	<u>915,412</u>	<u>1,170,216</u>	<u>1,149,333</u>	<u>(254,804)</u>	<u>20,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>456,988</u>	<u>102,726</u>	<u>123,609</u>	<u>(354,262)</u>	<u>20,883</u>
Other Financing Sources (Uses):					
Operating transfers out	(10,000)	-	-	10,000	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balances	<u>446,988</u>	<u>102,726</u>	<u>123,609</u>	<u>(344,262)</u>	<u>20,883</u>
Fund Balances:					
June 30, 2011, as originally reported	-	392,304	413,617	392,304	21,313
Prior period adjustments	-	11,812	-	11,812	(11,812)
June 30, 2011, as restated	<u>-</u>	<u>404,116</u>	<u>413,617</u>	<u>404,116</u>	<u>9,501</u>
Increase (Decrease) in reserve for inventory			(19,441)		(19,441)
June 30, 2012	<u>\$ 446,988</u>	<u>\$ 506,842</u>	<u>\$ 517,785</u>	<u>\$ 59,854</u>	<u>\$ 10,943</u>

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

GREENE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ 7,982	\$ -	\$ 7,982
Sixteenth section sources	400,000	458,440	450,458	58,440	(7,982)
Total Revenues	<u>400,000</u>	<u>458,440</u>	<u>458,440</u>	<u>58,440</u>	<u>-</u>
Expenditures:					
Sixteenth section	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>400,000</u>	<u>458,440</u>	<u>458,440</u>	<u>58,440</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(250,000)	-	-	250,000	-
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Net Change in Fund Balances	<u>150,000</u>	<u>458,440</u>	<u>458,440</u>	<u>308,440</u>	<u>-</u>
Fund Balances:					
July 1, 2011, as originally reported	-	1,612,585	1,629,585	1,612,585	17,000
Prior period adjustments	-	(1,024)	(1,024)	(1,024)	-
July 1, 2011, as restated	<u>-</u>	<u>1,611,561</u>	<u>1,628,561</u>	<u>1,611,561</u>	<u>17,000</u>
June 30, 2012	<u>\$ 150,000</u>	<u>\$ 2,070,001</u>	<u>\$ 2,087,001</u>	<u>\$ 1,920,001</u>	<u>\$ 17,000</u>

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, 2012

(1) **Basis of Presentation.**

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

(2) **Budget amendments and revisions.**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

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GREENE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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	\$ 323,115
National school lunch program	10.555	678,672
Total child nutrition cluster		<u>1,001,787</u>
Total U. S. Department of Agriculture		<u>1,001,787</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	108,954
Total Federal Communications Commission		<u>108,954</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education-basic grants to states	84.048	23,205
Safe and drug-free schools and communities state grants	84.186	5,353
21st Century Community Learning Centers	84.287	210,375
Education Technology State Grants, Recovery Act	84.386	2,000
Rural education	84.358	57,489
Improving teacher quality state grants	84.367	151,773
ARRA State Fiscal Stabilization Fund-Education state grants, Recovery Act	84.394	-
Educational Jobs Fund	84.410	12,826
Subtotal		<u>463,021</u>
Title I Grants Cluster:		
Title I, Part A basic grant	84.010	* 583,290
ARRA Title I-grants to local educational agencies, Recovery Act	84.389	* 288,660
Total Title I Grants Cluster		<u>871,950</u>
Special education cluster:		
Special education grants to states	84.027	* 430,374
ARRA -Special education grants to states, Recovery Act	84.391	* 415,969
ARRA -Special education preschool grants, Recovery Act	84.392	* 6,050
Total Special Education Cluster		<u>852,393</u>
Total passed-through Mississippi Department of Education		<u>2,187,364</u>
Total U.S. Department of Education		<u>2,187,364</u>
Total for All Federal Awards		<u>\$ 3,298,105</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

Supplemental Information

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

For the Year Ended June 30, 2012

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,735,954	\$ 10,418,113	\$ 543,621	\$ 980,482	\$ 1,793,738
Other	6,647,790	1,737,406	219,897	36,618	4,653,869
Total	<u>\$ 20,383,744</u>	<u>\$ 12,155,519</u>	<u>\$ 763,518</u>	<u>\$ 1,017,100</u>	<u>\$ 6,447,607</u>
Total number of students *	<u>2,012</u>				
Cost per student	<u>\$ 10,131</u>	<u>\$ 6,042</u>	<u>\$ 379</u>	<u>\$ 506</u>	<u>\$ 3,205</u>

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 reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

OTHER SUPPLEMENTAL INFORMATION

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GREENE COUNTY SCHOOL DISTRICT**Other Information****"UNAUDITED"**

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2012	2011 *	2010 *	2009 *
Revenues:				
Local sources	\$ 3,760,692	\$ 3,533,756	\$ 3,775,365	\$ 2,883,397
State sources	9,570,435	8,817,006	9,073,711	9,971,329
Federal sources	115,133	118,758	96,147	92,883
Total revenues	<u>13,446,260</u>	<u>12,469,520</u>	<u>12,945,223</u>	<u>12,947,609</u>
Expenditures:				
Instruction	8,263,205	6,526,881	7,489,582	8,219,241
Support services	4,835,793	4,412,961	4,330,202	4,392,783
Non-instructional services	160,893	144,120	144,079	139,185
Facilities acquisition and construction	-	-	-	1,352
Debt Service:				
Principal	68,197	131,705	204,413	98,068
Interest	1,613	7,916	29,940	5,483
Other	-	-	-	4,348
Total expenditures	<u>13,329,701</u>	<u>11,223,583</u>	<u>12,198,216</u>	<u>12,860,460</u>
Excess (deficiency) of revenues over expenditures	<u>116,559</u>	<u>1,245,937</u>	<u>747,007</u>	<u>87,149</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	244,144	73,561	-	18
Sale of transportation equipment	-	2,667	2,350	2,500
Operating transfers in	-	-	-	255,800
Operating transfers out	(1,234,724)	(794,082)	(932,625)	(984,697)
Total Other Financing Sources (uses)	<u>(990,580)</u>	<u>(717,854)</u>	<u>(930,275)</u>	<u>(726,379)</u>
Net Change in Fund Balances	<u>(874,021)</u>	<u>528,083</u>	<u>(183,268)</u>	<u>(639,230)</u>
Fund balances:				
Beginning balance, as originally reported	1,758,259	1,215,759	1,047,139	1,696,188
Prior period adjustments	10,056	14,417	351,888	(9,819)
Beginning Balance, as restated	<u>1,768,315</u>	<u>1,230,176</u>	<u>1,399,027</u>	<u>1,686,369</u>
Increase (decrease) in reserve for inventory	-	-	-	-
Ending Balance	<u>\$ 894,294</u>	<u>\$ 1,758,259</u>	<u>\$ 1,215,759</u>	<u>\$ 1,047,139</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

GREENE COUNTY SCHOOL DISTRICT

Other Information

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

	2012	2011 *	2010 *	2009 *
Revenues:				
Local sources	\$ 4,599,308	\$ 3,896,685	\$ 4,139,110	\$ 3,350,760
Intermediate sources	-	-	-	2,500
State sources	9,985,067	9,255,743	9,626,215	10,407,909
Federal sources	3,490,608	3,463,042	3,201,500	2,463,406
Sixteenth section sources	524,254	156,500	576,674	451,314
Total revenues	<u>18,599,237</u>	<u>16,771,970</u>	<u>17,543,499</u>	<u>16,675,889</u>
Expenditures:				
Instruction	10,950,218	9,329,810	10,055,056	9,936,851
Support services	5,727,949	5,210,015	5,138,367	5,204,583
Non-instructional services	1,240,881	1,112,047	1,176,170	1,173,710
Sixteenth section	18,048	68,096	38,965	19,679
Facilities acquisition and construction	1,958,715	1,180,613	146,507	926,944
Debt Service:				
Principal	305,093	359,413	377,409	420,996
Interest	153,667	49,933	66,095	53,622
Other	29,173	25	-	4,348
Total expenditures	<u>20,383,744</u>	<u>17,309,952</u>	<u>16,998,569</u>	<u>17,740,733</u>
Excess (deficiency) of revenues over expenditures	<u>(1,784,507)</u>	<u>(537,982)</u>	<u>544,930</u>	<u>(1,064,844)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	3,000,000	-	-
Insurance loss recoveries	244,144	73,561	-	18
Sale of transportation equipment	-	2,667	2,350	2,500
Payments held by escrow agent	109,998	-	-	-
Payments to QSCB debt escrow agent	(109,998)	-	-	-
Operating transfers in	1,234,724	794,082	948,625	1,708,284
Operating transfers out	(1,234,724)	(794,082)	(948,625)	(1,708,284)
Total Other Financing Sources (uses)	<u>244,144</u>	<u>3,076,228</u>	<u>2,350</u>	<u>2,518</u>
Net Change in Fund Balances	<u>(1,540,363)</u>	<u>2,538,246</u>	<u>547,280</u>	<u>(1,062,326)</u>
Fund balances:				
Beginning Balance, as originally reported	6,762,479	4,214,641	3,313,443	4,380,654
Prior period adjustments	(31,266)	6,049	356,036	(9,819)
Beginning Balance, as restated	<u>6,731,213</u>	<u>4,220,690</u>	<u>3,669,479</u>	<u>4,370,835</u>
Increase (decrease) in reserve for inventory	(19,441)	3,543	(2,118)	4,934
Ending Balance	<u>\$ 5,171,409</u>	<u>\$ 6,762,479</u>	<u>\$ 4,214,641</u>	<u>\$ 3,313,443</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

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, 2012, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated November 6, 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies not considered to be material weaknesses (findings 2011-01, 2011-02, 2011-03 and 2011-04).

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.

Compliance and Other Matters

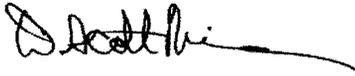
As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 November 6, 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.

Sincerely,



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

November 6, 2014

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**

Superintendent and School Board
Greene County School District

Report on Compliance for Each Major Federal Program

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 could have a direct and material effect on each of Greene County School District's major federal programs for the year ended June 30, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the school district's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, Greene County School District, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on on each of its major federal programs for the year ended June 30, 2012.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-05, 2012-06 and 2012-07. Our opinion on each major federal program is not modified with respect to these matters.

Greene County School District's response to the noncompliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. The school district's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of the Greene County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. 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 that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-05 and 2015-06 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-07 to be a significant deficiency.

Greene County School District's responses to internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. The school's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Greene County School District as of and for the year ended June 30, 2012, and have issued our report thereon November 6, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Sincerely,



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

November 6, 2014

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**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**

November 6, 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, 2012, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated November 6, 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 3 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 37-9-31, 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."

As reported in the prior year audit report and 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.

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 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: A \$50,000 "position bond" for each principal has been obtained and recorded in the office of the Chancery Clerk.

Finding No. 2: 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: An advertisement for depository bids was published and bids received in 2014.

Finding No. 3 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."

As reported in the prior year audit report and 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: The district prints a listing of teachers paid from federal funds and excludes these teachers from the use of EEF Classroom Supply Funds (Purchasing Cards).

Finding No. 4 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."

As reported in the prior year audit report and during our review of general expenditures, we noted instances of invoices that were paid after the forty-five day statute of limitations and there was no interest paid to the vendor. During our review of expenditures and individually significant items, there were twenty-one (21) instances of untimely paid invoices.

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

Response: The district makes diligent efforts to pay invoices within the 45 day time period. We will document if/when invoices are received prior to the receipt of goods and if there are questioned costs on invoices.

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.

Sincerely,



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, 2012

Section 1: Summary of Auditor's Results:

Financial Statements

- | | |
|---|------------|
| 1. Type of Auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. Material noncompliance relating to the financial statements? | No |

Federal Awards:

- | | |
|---|--------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiency identified that is not considered to be material weakness? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. Identification of major programs: | |
| a. Title I Grants cluster: | |
| Title I, Part A basic grant | CFDA# 84.010 |
| ARRA Title I grants to local educational agencies, Recovery Act | CFDA# 84.389 |
| b. Special Education cluster: | |
| Special Education grants to states | CFDA# 84.027 |
| ARRA Special Education grants to states, Recovery Act | CFDA# 84.391 |
| ARRA Special Education preschool grants, Recovery Act | CFDA# 84.392 |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

Section 2: Financial Statement Findings

Significant Deficiencies Not Considered to be Material Weaknesses

Finding 2012-01 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 six (6) deposits of cafeteria receipts, three (3) deposits of club receipts and five (5) deposits of activities receipts were 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.

Finding 2012-02 Controls Over General and Club Funds Expenditures Should Be Strengthened

Finding

As reported in the prior years' audit report, the school's internal control over purchasing was not adequate to ensure that policies and procedures for accounts payable were effective and efficient.

During our review of general and club expenditures we noted the following exceptions:

1. Five (5) instances where the invoices were dated prior to the approval date on the purchase order, of which one (1) was a purchase for federal programs.
2. Fourteen (14) invoices were paid without approval from program administration or management, of which two (2) were for federal programs.
3. Twenty-two (22) invoices untimely paid, as disclosed in the Independent Auditor's Report on Compliance with State Laws and Regulations in this report, Finding No. 4.

Recommendation

We recommend that internal control, policies and procedures be implemented to correct the above noted weaknesses.

Section 2: Financial Statement Findings (continued)

Significant Deficiencies Not Considered to be Material Weaknesses (continued)

Finding 2012-03 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. Six (6) assets on asset list with incorrect valuation,
2. Eleven (11) 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.

Finding 2012-04 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

Finding 2012-05: Allowable Costs and Cost Principles

Program: Title I Cluster (ARRA) CFDA# 84.389

Amount of Questioned Costs: (1) \$2,308 and (3) \$7,197

Management is responsible for complying with the requirements that Federal awards are expended only for allowable activities and that the costs of goods and services charged to the Federal awards are allowable and in accordance with the applicable cost principles. The applicable cost principles, set forth in 2CFR Part 225 (IOMB Circular A-87), require that costs must be authorized and be adequately documented. Authorization of federal award costs should come from a person with the responsibility for the administration of the federal award and with the knowledge of allowable program costs.

During our test of non-payroll expenditures, we noted the following:

- 1) One (1) transaction that did not show approval from program administration responsible for federal award expenditures and the amount paid of \$2,308 did not match the invoice amount.
- 2) Two (2) invoices were untimely paid, exceeding the 45-day limitation in Section 31-7-305(3), Miss. Code Ann. (1972), for \$79,718 and \$9,662.
- 3) One (1) instance where the invoice date was prior to the approval date on the purchase order. The invoice amount was \$7,197.

These deviations noted could increase the risk that unauthorized transactions may be processed within the district.

Recommendation

We recommend that all transactions be approved by the federal program administrator to ensure that all expenditures are allowable, necessary and reasonable. We also recommend that the District comply with all State purchasing laws and establish adequate internal controls over purchasing to support federal program expenditures.

Finding 2012-06: Allowable Costs and Cost Principles

Program: Special Education Cluster (ARRA) CFDA# 84.391

Management is responsible for complying with the requirements that Federal awards are expended only for allowable activities and that the costs of goods and services charged to the Federal awards are allowable and in accordance with the applicable cost principles. The applicable cost principles, set forth in 2CFR Part 225 (IOMB Circular A-87), require that costs must be authorized and be adequately documented. Authorization of federal award costs should come from a person with the responsibility for the administration of the federal award and with the knowledge of allowable program costs.

During our test of non-payroll expenditures, we noted the following:

- 1) One (1) payment in the amount of \$1,461 did not match the invoice amount.
- 2) Two (2) invoices were untimely paid, exceeding the 45-day limitation in Section 31-7-305(3), Miss. Code Ann. (1972), for \$287,069 and \$4,871.

These deviations noted could increase the risk that unauthorized transactions may be processed within the district.

Recommendation

We recommend that all transactions be approved by the federal program administrator to ensure that all expenditures are allowable, necessary and reasonable. We also recommend that the District comply with all State purchasing laws and establish adequate internal controls over purchasing to support federal program expenditures.

Finding 2012-07: Allowable Costs and Cost Principles

Program: Improving Teacher Quality CFDA# 84.367

Amount of Questioned Costs: \$3,950

Management is responsible for complying with the requirements that Federal awards are expended only for allowable activities and that the costs of goods and services charged to the Federal awards are allowable and in accordance with the applicable cost principles. The applicable cost principles, set forth in 2CFR Part 225 (IOMB Circular A-87), require that costs must be authorized and be adequately documented. Authorization of federal award costs should come from a person with the responsibility for the administration of the federal award and with the knowledge of allowable program costs.

During our test of non-payroll expenditures, we noted one (1) invoice that was not approved by program administration.

This deviation noted could increase the risk that unauthorized transactions may be processed within the district.

Recommendation

We recommend that all transactions be approved by the federal program administrator to ensure that all expenditures are allowable, necessary and reasonable. We also recommend that the District comply with all State purchasing laws and establish adequate internal controls over purchasing to support federal program expenditures.

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AUDITEE'S CORRECTIVE ACTION PLAN

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GREENE COUNTY SCHOOL DISTRICT

Dennis Cochran, Business Administrator

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601.994.2564 Ext 1002

December 18, 2015

Nieman & Associates, PC
P O Box 1411
McComb, MS 39649

To Whom It May Concern:

Greene County School District officials have reviewed your findings and questioned costs as a result of the FY 12 financial audit of the district. Below are our responses:

Finding 2012-01 Controls Over Cafeteria and Activity Funds Receipts Should Be Strengthened:

The school district understands and stresses the importance of controls over cash receipts. There are two schools in our district that are located in isolated areas and are several miles away from the nearest depository. In these cases, it is practical for the schools to hold small deposits for a day or two, in a locked cabinet before making deposits. It is our requirement that these schools make at least two deposits per week and that large amounts of cash not be held overnight.

Finding 2012-02 Controls Over General and Club Funds Expenditures Should Be Strengthened

Our staffing level, as a result of severe underfunding by the State of Mississippi, does not allow for the operation of a separate internal audit department. The school district's accounts payable clerk will be responsible for reviewing claims for proper authorization of purchase and payment.

Finding 2012-03 Controls over Fixed Assets Should be Strengthened

We have implemented new procedures to follow for purchase and disposal of fixed assets. Fixed asset records will be reconciled to general ledger purchases and disposal records, including school board minutes.

Finding 2012-04 Controls over Bank Reconciliations Should be Strengthened

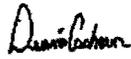
The district has hired an accountant who will help strengthen our controls and timeliness of bank reconciliations.

Finding 2012-05, 2012-06, 2012-07: Allowable Costs and Cost Principles

These findings have been reviewed by all responsible parties and training provided where necessary.

Please note there were some findings that the district would ordinarily question and/or dispute. However, the timeliness of future audits would be further delayed by doing so. We are confident that are financial records accurately reflects the financial position of the school district. We will continue to review and revise our procedures to improve any areas of weakness. We appreciate your bringing the aforementioned areas to our attention and have already taken measures to address the areas of concern.

Sincerely,



Dennis Cochran
Business Administrator