

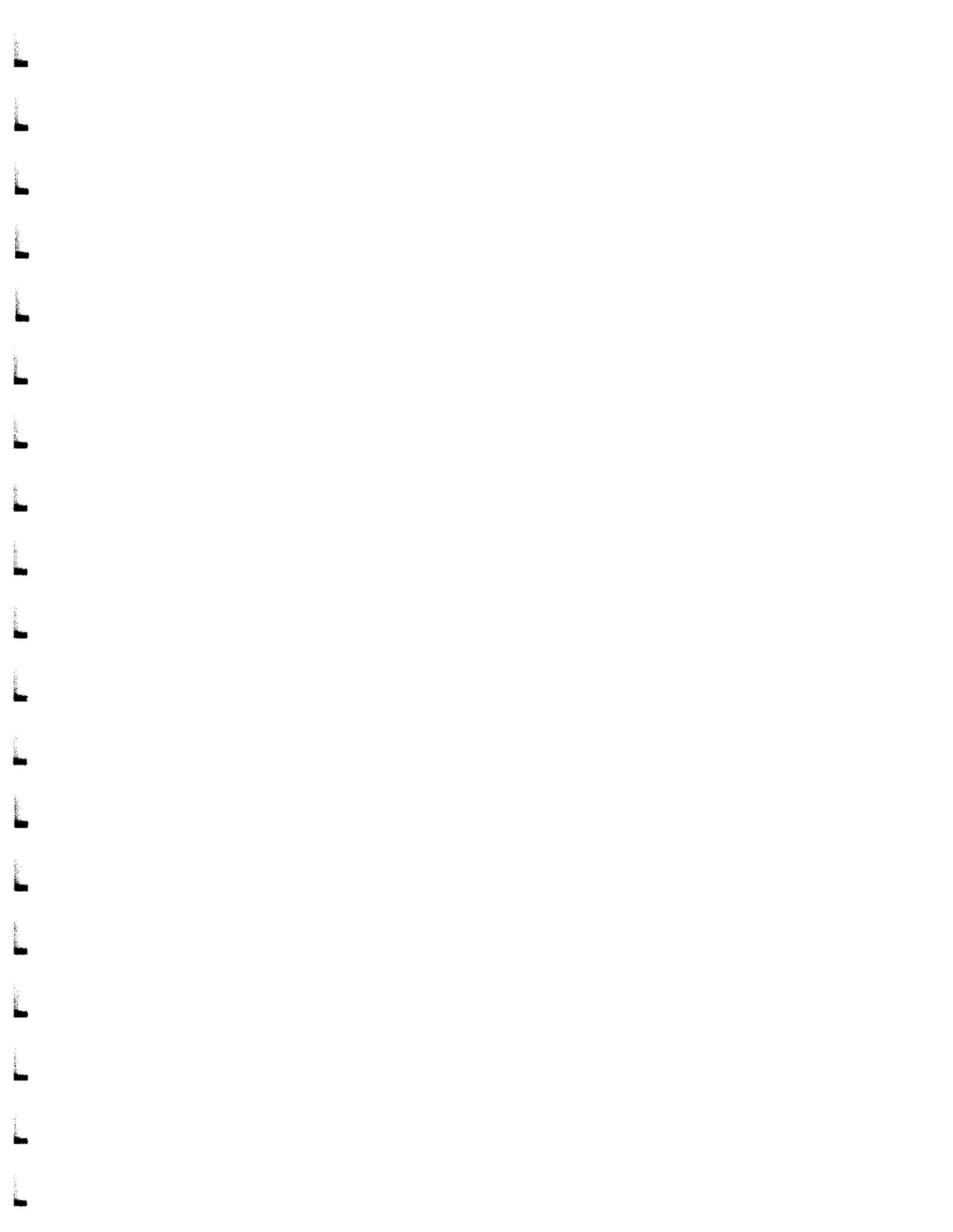


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Greenville Public School District
Financial Statements
June 30, 2005

Ellis & Hirsberg
Certified Public Accountants, LLC
Clarksdale, Mississippi







GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

GREENVILLE PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT
ON
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Greenville Public School District

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

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

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

As discussed in Note 19 to the financial statements, a certain error resulting in reporting of a noncompliance with state laws and regulations in the previously issued report was discovered subsequent to issuing the report. Accordingly, a correction has been made to the Independent Auditors' Report on Compliance with State Laws and Regulations.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2006, on our consideration of the Greenville Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal controls over financial reporting and compliance and the results of the testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

January 11, 2006

Elliot Heisberg LLC

GREENVILLE PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

FINANCIAL HIGHLIGHTS

Total net assets decreased \$906,705, which represents approximately 115% decrease from fiscal year 2004.

General revenues account for \$36,821,777 in revenue, or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$18,036,046 or 33% of total revenues.

The District had \$55,761,242 in expenses; only \$18,036,046 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$36,821,777 were not adequate to provide for these programs.

Among major funds, the General Fund had \$37,536,535 in revenues and \$36,817,100 in expenditures. The General Fund's fund balance decreased \$603,662 over the prior year. The decrease in fund balance is due in part to an increase in salaries.

Capital assets, net of accumulated depreciation, decreased \$354,960.

Long-term debt decreased by \$779,142 due in part to a defeasance of trust certificates.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 15 - 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, respectively.

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

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 21.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 39 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 41 - 45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on pages 49 and 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, liabilities exceeded assets by \$786,038 as of June 30, 2004, and \$1,692,743 as of June 30, 2005.

Cash and cash equivalents represent the District's largest asset. The District has borrowed more against its investment in capital assets (e.g., buildings, improvements other than buildings, mobile equipment, and furniture and equipment), than its depreciated value. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2005 and 2004.

	2005 <u>Amount</u>	2004 <u>Amount</u>
Current assets	\$ 10,402,338	11,280,250
Capital assets, net	<u>6,052,091</u>	<u>6,407,051</u>
Total assets	<u>16,454,429</u>	<u>17,687,301</u>
Current liabilities	6,414,789	5,862,836
Long-term debt outstanding	<u>11,732,383</u>	<u>12,610,503</u>
Total liabilities	<u>18,147,172</u>	<u>18,473,339</u>
Net assets:		
Invested in capital assets, net of related debt	(6,467,051)	(6,891,233)
Restricted	3,656,582	4,286,019
Unrestricted	<u>1,117,726</u>	<u>1,819,176</u>
Total net assets	\$ <u>(1,692,743)</u>	<u>(786,038)</u>

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$857,823. The total cost of all programs and services was \$55,761,242. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and June 30, 2004.

	2005 <u>Amount</u>	2004 <u>Amount</u>
Revenues:		
Program revenues	\$ 18,036,046	17,236,353
General revenues	<u>36,821,777</u>	<u>36,635,408</u>
Total revenues	<u>54,857,823</u>	<u>53,871,761</u>
Expenses:		
Instruction	29,322,121	28,074,677
Support services	20,676,361	21,081,314
Non-instructional	5,057,484	3,853,570
Sixteenth Section		1,542
Interest on long-term debt	<u>705,276</u>	<u>540,525</u>
Total expenses	<u>55,761,242</u>	<u>53,551,628</u>
Increase (Decrease) in net assets	\$ <u>(903,419)</u>	<u>320,133</u>

Federal revenues increased approximately \$772,000 due primarily to \$200,000 in new programs and to a growth in existing programs. State source revenue grew \$642,000. General tax revenues are down about \$267,000. Expenses increased because of the expansion of federal programs, increased hiring of instructional staff and support staff, and a general salary increase.

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

	2005	2005	2004	2004
	Total	Net (Expense)	Total	Net (Expense)
	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>
Instruction	\$ 29,322,121	\$ (22,244,935)	\$ 28,074,677	\$ (22,581,188)
Support services	20,676,361	(13,864,068)	21,081,314	(13,240,962)
Non-instructional	5,057,484	(910,917)	3,853,570	48,910
Sixteenth Section			1,542	(1,542)
Interest on long term-debt	<u>705,276</u>	<u>(705,276)</u>	<u>540,525</u>	<u>(540,493)</u>
Total expenses	\$ <u>55,761,242</u>	\$ <u>(37,725,196)</u>	\$ <u>53,551,628</u>	\$ <u>(36,315,275)</u>

Net cost of governmental activities \$55,761,242, was financed by general revenue, which is made up primarily of property taxes \$8,537,928, gaming \$270,031, state \$27,317,238, and sixteenth section revenues \$55,614.

Investment earnings accounted for \$373,908 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,115,550, a decrease of \$1,355,838 due primarily to increase in salaries and wages and the related fringes. \$1,465,317 or 29% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$3,650,233 or 71% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$603,662, a result of an increase in salaries. The fund balance of Title 1-A Basic Fund and Other Governmental Funds showed a combined decrease of \$752,176 due primarily to expenses increasing faster than revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

Budgeted amounts for expenditures were increased as the year progressed and the actual spending trends became clearer.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2005, the District's total capital assets were \$19,827,052, including school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$49,762 after write off of obsolete items of \$51,801. The District purchased two new school buses during the year. The accumulated depreciation as of June 30, 2005 was \$13,774,961 and the total depreciation expense for the year was \$456,007, resulting in total net assets of \$6,052,091.

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

During the year the District borrowed \$2,375,000 at an average rate of 3.2% to defease trust certificates in the amount of \$2,370,000 that has an interest rate of 5.3%. When the District makes a payment in December 2005 of \$135,000, the trust certificates will be fully defeased. The District anticipates that this action will save \$75,600 over the next thirteen years and will yield an economic gain of \$39,960.

CURRENT ISSUES

The Greenville Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased a net of .6 mills since the 2001 - 2002 school year. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment of the District will remain about constant. The budget for the next fiscal year has taken into account this consistency in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Greenville Public School District, P. O. Box 1619, Greenville, MS 38702.

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 3)	\$ 5,114,439
Cash with fiscal agents (Note 3)	1,028,657
Investments (Note 3)	471,273
Due from other governments	1,914,046
Other receivables, net	1,730,692
Inventories and prepaid items	107,941
Restricted assets	35,290
Capital assets, net (Note 5)	<u>6,052,091</u>
 Total assets	 <u>16,454,429</u>
LIABILITIES	
Accounts payable and accrued liabilities	4,294,544
Deferred revenue	992,243
Interest payable on long-term liabilities	143,860
Long-term liabilities (due within one year) (Note 6)	
Capital-related liabilities	984,142
Long-term liabilities (due beyond one year) (Note 6)	
Capital related liabilities	11,535,000
Non-capital related liabilities	<u>197,383</u>
 Total liabilities	 <u>18,147,172</u>
NET ASSETS	
Investment in capital assets (net of related debt)	(6,467,051)
Restricted net assets for:	
Expendable:	
School based activities	397,055
Debt service	3,006,244
Capital improvements	86,598
Unemployment benefits	130,227
Nonexpendable	
Sixteenth section	36,458
Unrestricted	<u>1,117,726</u>
 Total net assets	 \$ <u><u>(1,692,743)</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2005

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	\$ 29,322,121	341,549	6,735,637		(22,244,935)
Support services	20,676,361		6,812,293		(13,864,068)
Non-instructional services	5,057,484	221,102	3,925,465		(910,917)
Interest on long-term liabilities	705,276				(705,276)
Total governmental activities	\$ 55,761,242	562,651	17,473,395		(37,725,196)
General Revenues:					
Taxes:					
					8,203,296
					334,632
					270,031
Unrestricted grants and contributions:					
					27,317,238
					373,908
					55,614
					267,058
					36,821,777
					(903,419)
					(786,038)
					(3,286)
					(789,324)
					\$ (1,692,743)

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

GREENVILLE PUBLIC SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 For the year ended June 30, 2005

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Title 1-A Basic Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents (Note 3)	\$ 1,237,031	184,649	3,728,049	5,149,729
Cash with fiscal agents (Note 3)			1,028,657	1,028,657
Investments (Note 3)			471,273	471,273
Due from other governments	468,517	601,526	824,826	1,894,869
Due from other funds (Note 4)	2,825,070	453,370	1,406,643	4,685,083
Inventories and prepaid items	<u>29,508</u>		<u>78,432</u>	<u>107,940</u>
Total Assets	\$ <u>4,560,126</u>	<u>1,239,545</u>	<u>7,537,880</u>	<u>13,337,551</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 293,323	185,517	281,087	759,927
Due to other funds (Note 4)	2,771,978	846,797	2,851,056	6,469,831
Deferred revenue		<u>220,175</u>	<u>772,068</u>	<u>992,243</u>
Total Liabilities	<u>3,065,301</u>	<u>1,252,489</u>	<u>3,904,211</u>	<u>8,222,001</u>
Fund balances:				
Reserved for:				
Inventories	29,508		78,432	107,940
Unreserved:				
Undesignated, reported in:				
General fund	1,465,317			1,465,317
Capital projects fund		(12,944)	513,703	500,759
Debt service fund			<u>3,041,534</u>	<u>3,041,534</u>
Total Fund Balances	<u>1,494,825</u>	<u>(12,944)</u>	<u>3,633,669</u>	<u>5,115,550</u>
Total Liabilities & Fund Balances	\$ <u>4,560,126</u>	<u>1,239,545</u>	<u>7,537,880</u>	<u>13,337,551</u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 For the year ended June 30, 2005

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,115,550
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, net of accumulated depreciation of \$13,774,961. (Note 5)	6,052,091
2. Accrued interest on bonds payable	(143,860)
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(12,716,525)
4. Difference in rounding	<u>1</u>
Total Net Assets - Governmental Activities	\$ <u><u>(1,692,743)</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT
 Statement of Revenues, Expenditures, and Changes in Fund Balances For Governmental Funds
 For the Year Ended June 30, 2005

Exhibit D

	Major Funds			
	General Fund	Title 1- A Basic Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 8,899,928		1,103,890	10,003,818
State sources	28,443,644		2,031,274	30,474,918
Federal sources	192,963	4,264,827	9,857,925	14,315,715
Sixteenth section sources			55,614	55,614
Total revenues	<u>37,536,535</u>	<u>4,264,827</u>	<u>13,048,703</u>	<u>54,850,065</u>
EXPENDITURES				
Instruction	23,599,686	1,766,488	3,895,494	29,261,668
Support services	13,175,197	2,157,046	5,111,303	20,443,546
Non-instructional services		249,642	4,760,673	5,010,315
Debt Service:				
Principal	34,142		875,000	909,142
Interest	8,075		557,846	565,921
Other			53,518	53,518
Total expenditures	<u>36,817,100</u>	<u>4,173,176</u>	<u>15,253,834</u>	<u>56,244,110</u>
Excess (deficiency) of revenues over expenditures	<u>719,435</u>	<u>91,651</u>	<u>(2,205,131)</u>	<u>(1,394,045)</u>
Other Financing Sources (Uses)				
Proceeds of refunding bonds			2,375,000	2,375,000
Insurance loss recoveries	7,758			7,758
Operating transfers in	3,763,557		2,371,211	6,134,768
Operating transfers out	(5,094,412)	(104,595)	(935,761)	(6,134,768)
Payments to refunded bond escrow agent			(2,331,809)	(2,331,809)
Total other financing sources and uses	<u>(1,323,097)</u>	<u>(104,595)</u>	<u>1,478,641</u>	<u>50,949</u>
Net change in fund balances	<u>(603,662)</u>	<u>(12,944)</u>	<u>(726,490)</u>	<u>(1,343,096)</u>
Fund balances:				
July 1, 2004	2,089,322		4,382,066	6,471,388
Prior period adjustments			(3,286)	(3,286)
July 1, 2004, as restated	2,089,322	0	4,378,780	6,468,102
Increase (decrease) in reserve for inventory	<u>9,165</u>		<u>(18,621)</u>	<u>(9,456)</u>
June 30, 2005	<u>\$ 1,494,825</u>	<u>(12,944)</u>	<u>3,633,669</u>	<u>5,115,550</u>

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

GREENVILLE PUBLIC 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, 2005

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (1,343,096)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$101,563 and the depreciation expense amounted to \$456,007. (Note 5)	(354,444)
2. Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(86,814)
3. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities. (Note 6)	(2,375,000)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activity. (Note 6)	909,142
5. Payment to escrow agent for refunding bonds.	2,331,809
6. Expenses in Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated absences	23,978
7. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	978
8. Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities.	(516)
9. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities.	<u>(9,456)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(903,419)</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
For the year ended June 30, 2005

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$	1,343,874
Due from other funds		<u>3,574,993</u>
Total Assets	\$	<u><u>4,918,867</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	3,026,273
Due to other funds		1,790,245
Due to student clubs		<u>102,349</u>
Total Liabilities	\$	<u><u>4,918,867</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Greenville since the governing authority of the City selects a majority of the school district's board but does not have financial accountability for the school district.

The Greenville School Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (See Note 15).

B. Basis of Presentation.

The school district's basic financial statement consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

Title I - A Basic Fund - This is a federal program to supplement classroom teaching efforts.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the 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 a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

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

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

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 5 for details.

K. Interfund Transactions and Balances.

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

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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

(2) Changes in Accounting Standards.

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

(3) Cash and Cash Equivalents, Cash with Agents and Investments.

Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions was \$5,149,729, and the bank balance was \$8,622,716.

Custodial Credit Risk.

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 of collateral securities that are in the possession of an outside party. The district does not have a formal 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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$8,622,716 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of cash with agents held by financial institutions was \$1,028,657.

Investments.

As of June 30, 2005, the district had the following investment in the Hancock Bank's Trust Department investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Treasury Securities Money Market Fund	N/A	471,273	A

Interest Rate Risk.

The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Credit Risk.

State law limits investments to those prescribed in Section 27-105-33(d) and 27-105-33(e), Miss, Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments.

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's \$471,273 investment in Treasury Securities Money Market Fund, \$471,273 of underlying securities are held by the investments counterparty, not in the name of the district.

Concentration of Credit Risk.

Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2005, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Horizon Treasury Security Money Market Class A	471,273	100%

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Major funds:		
General fund	\$ 2,825,070	2,771,978
Other major fund		
Title 1-A Basic Fund	453,370	846,797
Non-major Funds	<u>4,981,636</u>	<u>4,641,301</u>
Total Funds	<u>\$ 8,260,076</u>	<u>8,260,076</u>

The purpose of the interfund transactions was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

B. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 3,763,557	5,094,412
Other major fund		
Title 1-A Basic Fund		104,595
Non-major Funds	<u>2,371,211</u>	<u>935,761</u>
Total Funds	<u>\$ 6,134,768</u>	<u>6,134,768</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer. The purpose of the transfers was to provide funds for operating activities.

(5) Capital Assets.

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

	<u>Balance 7-1-2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance 6-30-2005</u>
<u>Depreciable capital assets:</u>					
Buildings	\$ 14,855,751			(194,970)	14,660,781
Improvements other than buildings	206,289				206,289
Mobile equipment	2,251,118	101,563		(873,650)	1,479,031
Furniture and equipment	2,464,132		(51,801)	1,068,620	3,480,951
Total depreciable capital assets	<u>19,777,290</u>	<u>101,563</u>	<u>(51,801)</u>	<u>0</u>	<u>19,827,052</u>
<u>Less accumulated depreciation for:</u>					
Buildings	9,651,857	126,190			9,778,047
Improvements other than buildings	98,418				98,418
Mobile equipment	1,120,878	58,354			1,179,232
Furniture and equipment	2,499,086	271,463	(51,285)		2,719,264
Total accumulated depreciation	<u>13,370,239</u>	<u>456,007</u>	<u>(51,285)</u>	<u>0</u>	<u>13,774,961</u>
Total depreciable capital assets, net	<u>6,407,051</u>	<u>(354,444)</u>	<u>(516)</u>		<u>6,052,091</u>
Governmental activities capital assets, net	<u>\$ 6,407,051</u>	<u>(354,444)</u>	<u>(516)</u>	<u>0</u>	<u>6,052,091</u>

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 78,160
Support services	349,300
Non-instructional	28,547
 Total depreciation expense	 \$ 456,007

(6) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Balance 6-30-2005	Amounts due within one year
A. General obligation bonds payable	\$ 1,050,000	2,375,000	260,000	3,165,000	300,000
B. Limited obligation bonds payable	6,620,000		370,000	6,250,000	390,000
C. Certificates of participation payable	2,505,000		2,370,000	135,000	135,000
D. Three mill notes payable	380,000		120,000	260,000	125,000
E. Qualified zone academy bonds payable	2,500,000			2,500,000	
F. Other loans payable	243,284		34,142	209,142	34,142
G. Compensated absences payable	221,361		23,978	197,383	
Total	\$ 13,519,645	2,375,000	3,178,120	12,716,525	984,142

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds,					
Series 1992	4.8%-6.1%	10-15-92	10-15-07	\$ 2,100,000	790,000
Series 2004	2.5%-3.9%	12-1-04	12-1-07	\$ 2,375,000	2,375,000
Total				\$ 4,475,000	3,165,000

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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

	Year Ending			
	June 30	Principal	Interest	Total
2006	\$	300,000	383,413	683,413
2007		450,000	365,060	815,060
2008		435,000	325,181	760,181
2009		190,000	62,960	252,960
2010		195,000	57,808	252,808
2011-2015		1,060,000	192,079	1,252,079
2016-2018		<u>535,000</u>	<u>23,639</u>	<u>558,639</u>
Total	\$	<u>3,165,000</u>	<u>1,410,140</u>	<u>4,575,140</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2003. This debt will be retired from the 1987 bond refunding fund.

B. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement Bonds, Series 1998	4.6%	04-01-98	04-01-16	\$ <u>8,900,000</u>	<u>6,250,000</u>
Total				\$ <u>8,900,000</u>	<u>6,250,000</u>

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

	Year Ending			
	June 30	Principal	Interest	Total
2006	\$	390,000	277,650	667,650
2007		410,000	257,600	667,600
2008		430,000	236,650	666,650
2009		455,000	215,673	670,673

GREENVILLE PUBLIC SCHOOL DISTRICT

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

2010	475,000	194,738	669,738
2011 - 2013	<u>4,090,000</u>	<u>681,114</u>	<u>4,771,114</u>
Total	<u>\$ 6,250,000</u>	<u>1,863,425</u>	<u>8,113,425</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the state aid bond fund.

C. Certificates of participation payable.

As more fully explained in Note 15, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust Certificates 1998	5.03%	12-10-98	12-01-17	<u>\$ 2,895,000</u>	<u>135,000</u>
Total				<u>\$ 2,895,000</u>	<u>135,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$ 135,000</u>	<u>58,763</u>	<u>193,763</u>
Total	<u>\$ 135,000</u>	<u>58,763</u>	<u>193,763</u>

This debt will be retired from the debt service fund number 4034.

Current Refunding.

On December 1, 2004, the District issued \$2,375,000 general obligation bonds with an average interest rate of 3.2% to advance refund the trust certificates shown above. The net proceeds of \$2,297,413 after payments of \$83,366 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt requirements on the trust certificates except for the scheduled principal payment of \$135,000 due December 2005. As a result, the trust certificates are considered defeased in the amount of \$2,370,000. This amount of liability has been removed from the financial statements.

The District advanced refunded the trust certificates to reduce its total debt service payments over the remaining thirteen years of the debt by approximately \$67,116 and to obtain an economic gain of \$394.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

D. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Notes series, 1997	4.3% - 4.4%	12-15-97	12-17-07	\$ 1,775,000	260,000
Total				\$ <u>1,775,000</u>	<u>260,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 125,000	17,820	142,820
2007	<u>135,000</u>	<u>12,320</u>	<u>147,320</u>
Total	\$ <u>260,000</u>	<u>30,140</u>	<u>290,140</u>

This debt will be retired from the debt service fund number 4033.

E. Qualified zone academy bonds payable.

As more fully explained in Note 16, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
QZAB Limited - tax school note, Series	None	7/01/02	7/20/10	\$ 2,500,000	2,500,000
Total				\$ <u>2,500,000</u>	<u>2,500,000</u>

The debt will be retired from the debt service fund number 4032.

F. Other loans payable.

The school district has issued debt instruments granted under the authority of Asbestos School Hazard Abatement Reauthorization Act of 1990, 20 U.S.C. 4011.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos School Hazard Abatement Note	None	04-06-93	05-06-13	\$ 614,561	209,142
Total				<u>\$ 614,561</u>	<u>209,142</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 34,142		34,142
2007	34,142		34,142
2008	34,142		34,142
2009	34,142		34,142
2010	34,142		34,142
2011 - 2013	<u>38,432</u>		<u>38,432</u>
Total	<u>\$ 209,142</u>	<u>0</u>	<u>209,142</u>

This debt will be retired from the general fund.

G. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$3,106,710, \$2,882,280, and \$2,581,514, respectively, which equaled the required contributions for each year.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(8) Other Commitments.

Operating leases:

The school district has an operating lease for a Xerox copier.

Lease expenditures for the year ended June 30, 2005, amounted to \$31,274. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2006	\$ 31,274
2007	31,274
2008	<u>28,668</u>
Total	\$ <u><u>91,216</u></u>

(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.

Year Ending June 30	Amount
2006	\$ 41,900
2007	22,402
2008	22,402
2009	6,545
2010	102
2011 - 2012	<u>102</u>
Total	\$ <u><u>93,453</u></u>

(10) Deficit Fund Balance of Individual Funds.

The Twenty-first Century fund has a deficit fund balance in the amount of \$1,310.

The deficit is not in violation of state law. The deficit could have been eliminated with a transfer from the district maintenance fund.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(11) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Correction for unrecorded adjustments	\$ <u>3,286</u>
Total	\$ <u><u>3,286</u></u>

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

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
Other Governmental Funds - Correction for unrecorded adjustments		\$ <u>3,286</u>
Total		\$ <u><u>3,286</u></u>

(12) Litigation.

In a case titled Willie C. Young v. Greenville Mississippi Public School District: Joe Nash, Eugene McCray, Henry Tillman, Jerry Hafner and Christine Gardner: Individually and in their capacity as Board of Trustees for and on behalf of the Greenville Mississippi Public School District; and Does 1 - 10, inclusively, Chancery Court of Washington County, Mississippi, cause no. 050543 is an appeal from a final decision of nonrenewal of his contract. It is believed by counsel that the suit will be dismissed or withdrawn with no monetary effect to the District.

(13) Contingencies.

The District disputes a bill from a local vendor ranging in amount of \$13,000 - \$14,000. The District believes these charges are part of an alleged embezzlement by a former employee. The employee's trial is pending. The District believes that if the employee is found guilty, the vendor will have no claim against the District. No accrual has been made for this claim.

(14) Subsequent Events.

Subsequent to year-end a superintendent was hired and given a one year contract.

(15) Risk Management.

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. 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.

(16) Trust Certificates.

A trust agreement dated December 15, 1997 was executed by and between the school district and the corporate trust department of Trustmark National Bank, Jackson, MS, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,895,000 plus \$6,270 accrued interest. Approximately \$2,866,270 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$35,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

(17) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Duncan-Williams, Inc. has entered into such an arrangement dated July 20, 2000. The school district has twenty-six partners that will make contributions of at least ten percent of the sum generated by the issuance of bonds. The bonds will enhance public education by establishing math/science and technology academics at three schools.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 15. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made by the general fund to the sinking fund by the school district.

Year Ending June 30	Amount
2006	\$ 150,000
2007	150,000
2008	150,000
2009	150,000
2010	<u>300,000</u>
Total	<u>\$ 900,000</u>

(18) School Consortiums.

A. 21st Century Learning Center.

The school district entered into a 21st Century Learning Center Agreement dated May 7, 2000 creating the Delta Horizon 21st Century Community Learning Center consortium. This consortium was created pursuant to the provisions of Section 37-7-301(dd), Miss. Code Ann. (1972).

The following other school districts are in this consortium:

Cleveland School District
Hollandale School District
Indianola School District
Quitman County School District
Western Line School District
West Tallahatchie School District

The Greenville Public School District was the lead district in this group and the operations of the consortium are included in its financial statements. The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the 21st Century Learning Center.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
21ST CENTURY LEARNING CENTERS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Total</u>
Revenues	
Federal sources	\$ <u>972,935</u>
Total Revenues	<u>972,935</u>

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Expenditures	
Salaries	320,707
Employee benefits	55,577
Purchased professional and technical services	52,314
Other purchased services	44,876
Supplies	39,898
Property	25,910
Other	<u>702,508</u>
Total Expenditures	<u>1,241,790</u>
Excess (Deficiency) of Revenues Over Expenditures	(268,855)
Other Financing Sources/Uses	
Transfers out	<u>(15,401)</u>
Net Change in Fund Balance	(284,256)
Fund Balance	
July 1, 2004	<u>284,126</u>
June 30, 2005	\$ <u><u>(130)</u></u>

B. Community Resources and Outreach for Student Services: Reaching Out Across the Delta (Crossroads).

The School District entered into a Safe Schools and/or Healthy Students Agreement dated June 21, 2002 creating the Crossroads consortium. This consortium was created pursuant to the provisions of Section 37-7-301(dd) Miss. Code Ann. (1972).

The following other school districts are in this consortium:

Sunflower County School District
Leland School District

The Greenville Public School District was the lead district in this group and the operations of the consortium are included in its financial statement. The following Statement of Revenue, Expenditures and Changes in Fund Balance is presented to detail the financial activities of the Crossroads Consortium.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
CROSSROADS CONSORTIUM
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Total</u>
Revenues	
Federal sources	\$ <u>2,355,854</u>
Total Revenues	<u>2,355,854</u>
Expenditures	
Salaries	892,659
Employee benefits	229,502
Purchased professional and technical services	494,608
Other purchased services	31,556
Supplies	53,311
Property	36,451
Other	<u>496,977</u>
Total Expenditures	<u>2,235,064</u>
Excess (Deficiency) of Revenues Over Expenditures	120,790
Other Financing Sources/Uses	
Transfers out	<u>(329,866)</u>
Net Change in Fund Balance	(209,076)
Fund Balance	
July 1, 2004	<u>209,076</u>
June 30, 2005	\$ <u><u>0</u></u>

(19) Correction of an Error.

It was discovered subsequent to issuing the audit report that a noncompliance with state laws and regulations, specifically dealing with classroom supplies, was reported in error. The school district was in compliance with this program. The Independent Auditors' Report on Compliance with State Laws and Regulations has been corrected to reflect this change.

GREENVILLE PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual	Variances	
				Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Original To Final</u>	<u>Final To Actual</u>
Revenues:					
Local sources	\$ 9,150,608	9,150,658	8,899,928	50	(250,730)
State sources	29,313,519	30,563,519	28,443,644	1,250,000	(2,119,875)
Federal sources	<u>300,000</u>	<u>300,000</u>	<u>192,963</u>	<u>0</u>	<u>(107,037)</u>
Total Revenues	<u>38,764,127</u>	<u>40,014,177</u>	<u>37,536,535</u>	<u>1,250,050</u>	<u>(2,477,642)</u>
Expenditures:					
Instruction	24,368,274	24,606,324	23,599,686	(238,050)	1,006,638
Support services	14,067,091	14,919,681	13,175,197	(852,590)	1,744,484
Facilities acquisition and construction	95,000	315,712	34,142	(220,712)	281,570
Debt service:					
Principal	42,000	42,000	8,075	0	33,925
Interest	<u>4,000</u>	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>4,000</u>
Total Expenditures	<u>38,576,365</u>	<u>39,887,717</u>	<u>36,817,100</u>	<u>(1,311,352)</u>	<u>3,070,617</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>187,762</u>	<u>126,460</u>	<u>719,435</u>	<u>(61,302)</u>	<u>592,975</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	20,000	20,000	7,758	0	(12,242)
Operating transfers in	4,165,811	4,165,811	3,763,557	0	(402,254)
Operating transfers out	<u>(4,368,173)</u>	<u>(4,368,173)</u>	<u>(5,094,412)</u>	<u>0</u>	<u>(726,239)</u>
Total Other Financing Sources (Uses)	<u>(182,362)</u>	<u>(182,362)</u>	<u>(1,323,097)</u>	<u>0</u>	<u>(1,140,735)</u>
Net Change in Fund Balances					
	<u>5,400</u>	<u>(55,902)</u>	<u>(603,662)</u>	<u>(61,302)</u>	<u>(547,760)</u>
Fund Balances:					
July 1, 2004	2,800,000	2,089,322	2,089,322	(710,678)	0
Increase in reserve for inventory			9,165	0	9,165
June 30, 2005	\$ <u>2,805,400</u>	<u>2,033,420</u>	<u>1,494,825</u>	<u>(771,980)</u>	<u>(538,595)</u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I - A Basic Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Federal sources	\$ 3,885,827	4,630,535	4,264,827	744,708	(365,708)
Total Revenues	<u>3,885,827</u>	<u>4,630,535</u>	<u>4,264,827</u>	<u>744,708</u>	<u>(365,708)</u>
Expenditures:					
Instruction	1,561,537	1,816,143	1,766,488	(254,606)	49,655
Support services	2,036,540	2,521,698	2,157,046	(485,158)	364,652
Non-instructional services	<u>183,654</u>	<u>194,699</u>	<u>249,642</u>	<u>(11,045)</u>	<u>(54,943)</u>
Total Expenditures	<u>3,781,731</u>	<u>4,532,540</u>	<u>4,173,176</u>	<u>(750,809)</u>	<u>359,364</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>104,096</u>	<u>97,995</u>	<u>91,651</u>	<u>(6,101)</u>	<u>(6,344)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(104,595)</u>	<u>(104,595)</u>	<u>(104,595)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(104,595)</u>	<u>(104,595)</u>	<u>(104,595)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(499)</u>	<u>(6,600)</u>	<u>(12,944)</u>	<u>(6,101)</u>	<u>(6,344)</u>
Fund Balances:					
July 1, 2004				0	0
Prior period adjustments				<u>0</u>	<u>0</u>
July 1, 2004, as restated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2005	\$ <u>(499)</u>	<u>(6,600)</u>	<u>(12,944)</u>	<u>(6,101)</u>	<u>(6,344)</u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

(3) Other Individual Fund Disclosures.

A listing of the individual funds that have an excess of expenditures over budget, including amounts in excess, is as follows:

<u>Fund type/Fund</u>	<u>Amount</u>
General Fund	
Alternative School	\$ 50,360
Trigg Activities Fund	71
Coleman Athletics	2,728
T. L. Weston Athletics	28,629
Special Revenue Funds	
Food Service	125,030
Food Service Training Grant	13,209
Summer Feeding	254,460
Title II	17,651
Mid South Middle School Grant	90
Barksdale Grant	4,707
CSR Grant - Armstrong	6,618
Whole School Initiative	6,219
Whole School Arts - Weddington	126
Reading Sufficiency - Darling	2,034
Debt Service	
1992 Bond Debt Service	23,690
Debt Service - 1 Mill	4,590

The funds are in violation of state law. However, the school district has no liability associated with these violations.

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 217,200
Child nutrition cluster:		
School breakfast program	10.553	859,413
National school lunch program	10.555	2,378,591
Summer food service program for children	10.559	187,587
Total child nutrition cluster		<u>3,425,591</u>
Total U.S. Department of Agriculture		<u>3,642,791</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Safe and drug-free schools and communities national programs	84.184L	2,564,950
Twenty-first Century Community Learning Centers	84.287B	768,422
Total		<u>3,333,372</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	4,339,826
Vocational education - basic grants to states	84.048	178,913
Safe and drug-free schools and communities - state grants	84.186	52,600
Twenty-first Century Community Learning Centers - Delta Horizons	84.287	360,975
Innovative education program strategies	84.290	50,406
Education technology state grant	84.318	102,853
Comprehensive school reform demonstration	84.332	130,000
Teacher quality enhancement grant	84.336	80
Transition to teaching	84.350	1,400
Improving teacher quality - state grants	84.367	786,129
Grants for state assessments and related activities	84.369	14,616
Total		<u>6,017,798</u>
Special education cluster:		
Special education - grants to states	84.027	897,795
Special education - preschool grants	84.173	44,419
Total		<u>942,214</u>
Total passed-through Mississippi Department of Education		<u>6,960,012</u>
Total U.S. Department of Education		<u>10,293,384</u>
<u>U.S. Department of Health</u>		
Passed-through Mississippi Department of Education:		
Assistance programs for chronic disease prevention and control	93.945	21,647
Total U.S. Department of Health		<u>21,647</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	42,386
Passed-through Mississippi State University:		
Create	84.XXX	12,832
Gear-up	84.XXX	5,280
Mississippi fund	84.XXX	175,000
Total Other Federal Assistance		<u>235,498</u>
Total for All Federal Awards		\$ <u>14,193,320</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2005, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$209,142.

GREENVILLE PUBLIC SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 43,863,257	23,247,526	3,509,061	17,106,670
Other	<u>12,380,853</u>	<u>371,1506</u>	<u>742,301</u>	<u>7,927,046</u>
Total	<u>\$ 56,244,110</u>	<u>26,959,032</u>	<u>4,251,362</u>	<u>25,033,716</u>
Total number of students *	7,387			
Cost per student	\$ 7,613	3,650	576	3,387

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

Instructions - includes the activities dealing with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type - all the 1000 functional codes.

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

Other - Includes all expenditure functions not included in Instruction or Administrative.

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Superintendent and School Board
Greenville Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greenville Public School District as of and for the year ended June 30, 2005, which collectively comprise the Greenville Public School District's basic financial statements and have issued our report thereon dated January 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

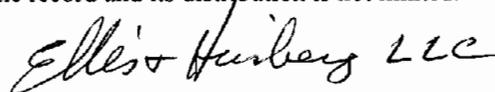
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

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



January 11, 2006

GREENVILLE PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Greenville Public School District

Compliance

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

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

As described in item 2005-1 in the accompanying Schedule of Findings and Questioned Costs, Greenville Public School District did not comply with requirements regarding allowable cost that are applicable to Twenty-first Century Learning Center - Delta Horizon. Compliance with such requirements is necessary, in our opinion, for Greenville Public School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Greenville Public School District complied in all material respects with the requirements referenced to above that are applicable to the Twenty-first Century Learning Center - Delta Horizon. Also in our opinion, Greenville Public School District complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures also disclosed the following other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 which are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-3.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our opinion, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 2005-2 and 2005-4.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, of the reportable conditions described in the findings referred to above, we consider Finding 2005-2 to be a material weakness.

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

January 11, 2006



GREENVILLE PUBLIC SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

GREENVILLE PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
 STATE LAWS AND REGULATIONS

Superintendent and School Board
 Greenville Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Greenville Public School District as of and for the year ended June 30, 2005, which collectively comprise Greenville Public School District's basic financial statements, and have issued our report thereon dated January 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$215 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Finding

Sections 37-61-19 and 37-61-9(ii) require all funds to be budgeted and that the school district not exceed the budget.

The following funds had expenditures in excess of budgets:

	<u>Excess Expenditure</u>
Alternative School	\$ 50,360
Trigg Activity Fund	71
Coleman Athletics	2,728
T. L. Weston	28,629
Food Service	125,036
Food Service Training Grant	13,209

Summer Feeding	254,460
Title II	17,653
Mid South School Grant	90
Barksdale Grant	4,707
CSRD Grant Armstrong	6,618
Whole School Initiative - Akin	6,218
Whole School Initiative - Webb	126
Reading Sufficiency - Darling	2,033
Bond Debt Service	23,690
Debt Service - 1 Mill	4,590

Recommendation

Budget all funds as required and amend these budgets when necessary as allowed by statute.

School District's Response

This was an oversight. We will increase our efforts to comply.

2. Finding

Section 37-9-31 requires principals to be bonded in the amount of \$25,000.

The principal at Trigg Elementary was new to the job and was not bonded.

Recommendation

Have all personnel bonded as required by statute.

School District's Response

This situation has been subsequently corrected.

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

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

Ellis & Heisberg LLC

January 11, 2006

GREENVILLE PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | None |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|--|-----------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Qualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | Yes |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Program name: Safe Schools & Health Students
CFDA # 84.184L | |
| b. | Program name: Title I
CFDA # 84.010 | |
| c. | (1) Twenty-first Century Community Learning Center

(2) Delta Horizons Twenty-first Century Community Learning Centers
CFDA # 84.287 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$425,800 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | Yes |

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Section 2: Financial Statement Findings

There were no financial statement findings.

Section 3: Federal Award Findings and Questioned Costs

Material Non-compliance

2005-1 Finding

	<u>Name</u>	<u>CFDA</u>	<u>Grantor/ Pass-through Grantor</u>
Program:	Twenty-first Century Community Learning Centers - Delta Horizons	84.287	Mississippi Department of Education

Compliance Requirement: Allowable Cost

The grant period is from fiscal year 2003 through 2005. The budget allowed for equipment cost in the first year was \$128,000. The District spent \$228,821 in the third year of the program.

Questioned Cost - \$100,821

Recommendation

The District should institute controls to insure that it is following the guidelines of the program and the program budgets.

Material Weakness:

2005-2 Finding

	<u>Name</u>	<u>CFDA</u>	<u>Grantor/ Pass-through Grantor</u>
Program:	Twenty-first Century Community Learning Centers - Delta Horizons	84.287	Mississippi Department of Education

Compliance Requirement: Allowable Cost

Budget report for above program was not reviewed. The district has software which produces budget reports as a control. The report was not reviewed or not correctly prepared which allowed the situation noted in Finding 2005-1 to occur.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Questioned Cost - \$100,821

Recommendation

The District should institute controls to insure that it is following the guidelines of the program and the program budgets.

Immaterial Non-Compliance:

2005-3 Finding

	<u>Name</u>	<u>CFDA</u>	<u>Grantor/ Pass-through Grantor</u>
Program:	Safe and Drug-Free Schools and Communities National Program	84.184L	U. S. Department of Education
	Twenty-first Century Community Learning Center	84.287	U. S. Department of Education

Compliance Requirement: Cash Management

These two programs drew more cash than was required for the programs' immediate needs.

Questioned Cost - None

Recommendation

Institute controls over cash drawn direct from the federal government to prevent requesting more cash than is required by the federal program

Reportable Condition Not Considered to be a Material Weakness:

2005-4 Finding

	<u>Name</u>	<u>CFDA</u>	<u>Grantor/ Pass-through Grantor</u>
Program:	Safe and Drug-Free Schools and Communities National Program	84.184L	U. S. Department of Education
	Twenty-first Century Community Learning Center	84.287	U. S. Department of Education

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Twenty-first Century Community Learning Centers - Delta Horizons	84.287	Mississippi Department of Education
Title I - Grants to Local Education Agencies	84.010	Mississippi Department of Education

Compliance Requirement: Procurement and Suspension and Disbursement

There is no policy that prevents or prohibits an award or sub-award for goods or services in excess of \$100,000 to a barred or a suspended contractor.

Questioned Cost - None

Recommendation

Require staff to obtain certifications from entities receiving contracts over \$100,000 with federal funds to certify that the organization and its principals are not suspended or debarred.

GREENVILLE PUBLIC SCHOOL DISTRICT

AUDITEES' CORRECTIVE ACTION PLAN
AND / OR
SUMMARY OF PRIOR AUDIT FINDINGS

GREENVILLE PUBLIC SCHOOL DISTRICT

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662-334-7000 FAX 662-334-7021

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315 of OMB Circular A-133, the Greenville Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2005-1	A. Jamie Rutledge, CPA B. We received verbal permission for these expenditures. The paper work got delayed at the state level. We are working to get the proper documentation. C. These controls will be implemented by June 30, 2006.
2005-2	A. Jamie Rutledge, CPA B. We received verbal permission for these expenditures. The paper work got delayed at the state level. We are working to get the proper documentation. C. These controls will be implemented by June 30, 2006.
2005-3	A. Jamie Rutledge, CPA B. The district will establish controls for drawing down grant funds direct from the federal government. C. This will be completed by June 30, 2006.
2005-4	A. Jamie Rutledge, CPA B. The district will implement procedures requiring documentation from contractors and subcontractors as to their suitability to be paid from federal funds when the contract equals or exceeds \$100,000. C. The procedures were put in place July 1, 2006.



Signature
Superintendent

Title

GREENVILLE PUBLIC SCHOOL DISTRICT

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SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section .315(b) of OMB Circular A-133, the Greenville Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2003.

Finding

2004-3

This situation has been corrected.

Signature

Superintendent

Title

GREENVILLE PUBLIC SCHOOL DISTRICT

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