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Greenville Public School District
Financial Statements
June 30, 2006

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi

GREENVILLE PUBLIC SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT 1

 Independent Auditors' Report on the Basic Financial Statements and Supplemental Information 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 5

FINANCIAL STATEMENTS 13

 Statement of Net Assets 15

 Statement of Activities 16

 Balance Sheet - Governmental Funds 17

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 18

 Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds 19

 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities 20

 Statement of Fiduciary Net Assets 21

 Notes to Financial Statements 22

REQUIRED SUPPLEMENTARY INFORMATION 41

 Budgetary Comparison Schedule - General Fund 43

 Budgetary Comparison Schedule - Title I 44

 Notes to the Required Supplementary Information 45

SUPPLEMENTARY INFORMATION 47

 Schedule of Expenditures of Federal Awards 49

 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds 51

REPORTS ON COMPLIANCE AND INTERNAL CONTROL 53

 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 55

 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 57

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 59

 Independent Auditors' Report on Compliance with State Laws and Regulations 61

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	63
Schedule of Findings and Questioned Costs	65
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS	69
Auditee's Corrective Action Plan	71
Summary of Prior Audit Findings	73

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2007, 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ellis + Hensberg CPA PLLC

July 16, 2007

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, 2006

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, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to 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.

FINANCIAL HIGHLIGHTS

Total net assets increased \$1,369,046, which represents an 81% increase from fiscal year 2005. This was due to expenses remaining constant while local and state revenues increased.

General revenues account for \$39,584,092 in revenue, or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$17,582,166 or 31% of total revenues.

The District had \$55,797,212 in expenses; only \$17,582,166 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$39,584,092 were adequate to provide for these programs.

Among major funds, the General Fund had \$39,602,675 in revenues and \$37,524,619 in expenditures. The General Fund's fund balance increased \$594,422 over the prior year. General Fund revenue was up \$2,066,140 over the prior year while expense increased only \$707,519.

Capital assets, net of accumulated depreciation, decreased by \$67,856. Spending on new assets did not keep pace with the depreciation expense.

Long-term debt decreased by \$902,003.

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, of this report.

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

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 have 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 - 40 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 special revenue fund. This required supplementary information can be found on pages 43 - 45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 49 and 51, respectively, of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$323,697 as of June 30, 2006.

Cash and cash equivalents and investments represent the District's largest asset. The District has borrowed more against its investment in capital assets (e.g., buildings, building improvements, 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 payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets as of June 30, 2006 and 2005, respectively.

	Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
Current assets	\$ 9,512,546	10,402,338	(8.55)%
Capital assets, net	<u>5,984,235</u>	<u>6,052,091</u>	(1.12)%
Total assets	<u>15,496,781</u>	<u>16,454,429</u>	(5.82)%
Current liabilities	5,035,098	6,414,789	(21.51)%
Long-term debt outstanding	<u>10,785,380</u>	<u>11,732,383</u>	(8.07)%
Total liabilities	<u>15,820,478</u>	<u>18,147,172</u>	(12.82)%
Net assets:			
Invested in capital assets, net of related debt	(5,550,765)	(6,467,051)	14.17%
Restricted	3,769,238	3,656,582	20.80%
Unrestricted	<u>1,457,830</u>	<u>1,117,726</u>	30.38%
Total net assets	<u>\$ (323,697)</u>	<u>(1,692,743)</u>	80.88%

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

The principal retirement of \$984,142 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$56,940,055. The total cost of all programs and services was \$55,571,009. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	Changes in Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
Revenues:			
Program revenues:			
Charges for services	\$ 594,340	562,651	5.63%
Operating grants and contributions	16,987,826	17,473,395	(2.77)%
General revenues:			
Property taxes	8,994,757	8,807,959	2.12%
Grants and contributions not restricted	30,212,721	27,317,238	10.60%
Other	<u>376,614</u>	<u>696,580</u>	(45.93)%
Total revenues	<u>57,166,258</u>	<u>54,857,823</u>	4.20%
Expenses:			
Instruction	30,320,575	29,322,121	3.41%
Support services	20,820,535	20,676,361	.70%
Non-instructional	3,993,883	5,057,484	21.03%
Sixteenth Section	1,990		
Interest and other expense on long-term liabilities	<u>660,229</u>	<u>705,276</u>	(6.39)%
Total expenses	<u>55,797,212</u>	<u>55,761,242</u>	.06%
Increase (Decrease) in net assets	1,369,046	(903,419)	251.54%
Net Assets, July 1	(1,692,743)	(786,038)	(115.35)%
Prior Period Adjustments		(3,286)	
Net Assets, June 30	<u>\$ (323,697)</u>	<u>(1,692,743)</u>	80.88%

The following are significant current year transactions that have had an impact on the Statement of Activities. The expense remains relatively unchanged from year to year while general revenues increased.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for the fiscal years ending June 30, 2006 and 2005, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2006		2005	
	Total Expenses	Net (Expense) Revenues	Total Expenses	Net (Expense) Revenues
Instruction	\$ 30,320,575	\$ (24,132,338)	\$ 29,322,121	\$ (22,244,935)
Support services	20,820,535	(13,407,225)	20,676,361	(13,864,068)
Non-instructional	3,993,883	(13,264)	5,057,484	(910,917)
Sixteenth Section	1,990	(1,990)		
Interest and other expenses on long-term liabilities	660,229	(660,229)	705,276	(705,276)
Total expenses	\$ 55,797,212	(38,215,046)	\$ 55,761,242	(37,725,196)

Net cost of governmental activities (\$55,797,212), was financed by general revenue, which is made up primarily of property taxes (\$8,994,757) and state revenue (\$30,212,721).

Investment earnings accounted for \$172,786 of funding.

Sixteenth Section income was \$57,406.

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 \$5,666,603, an increase of \$522,509 due primarily to increased revenue with expenses remaining constant. \$3,032,499 or 54% 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 \$2,634,104 or 46% 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 increase in fund balance in the General Fund for the fiscal year was \$589,011, a result of revenues being larger than expense and net transfers. The fund balance of Other Governmental Funds showed a decrease of \$56,313. This decrease is relatively small. These funds basically came out at a breakeven position.

BUDGETARY HIGHLIGHTS

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

Budgeted amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2006, the District's total capital assets were \$20,062,199, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$235,147 from the previous year. The District purchased two school buses and did window treatments to buildings. Total accumulated depreciation as of June 30, 2006 was \$14,077,964 and the total depreciation expense for the year was \$321,849, resulting in total net assets of \$5,984,235.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Buildings	\$ 4,768,736	4,882,734	(2.33)%
Building improvements	122,277		100.00%
Improvements other than buildings	107,871	107,871	
Mobile equipment	237,024	299,799	(20.93)%
Furniture and equipment	<u>748,327</u>	<u>761,687</u>	(1.75)%
Total	\$ <u>5,984,235</u>	<u>6,052,091</u>	(1.12)%

Additional information of the District's capital assets can be found in Note 5 on page 29 of this report.

Debt Administration. At June 30, 2006, the District had \$11,814,522 in general obligation bonds and other long-term debt outstanding, of which \$1,029,142 is due within one year. No new bonds were acquired during the current year. Liability for compensated absences increased \$82,139.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
General obligation bonds payable	\$ 2,865,000	3,165,000	(9.48)%
Certificates of participation payable		135,000	(100.00)%
Three mill notes payable	135,000	260,000	(48.08)%
Qualified zone academy bonds payable	2,500,000	2,500,000	
Other loans payable	175,000	209,142	(16.32)%
Limited obligation bonds payable	5,860,000	6,250,000	(6.24)%
Compensated absences payable	<u>279,522</u>	<u>197,383</u>	41.61%
Total	\$ <u>11,814,522</u>	<u>12,716,525</u>	(7.09)%

Additional information of the District's long-term debt can be found in Note 6 on page 30 of this report.

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 to 56.8 mills. This is a 1 mill increase over the prior 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 will remain relatively stable in the District. The budget for the next fiscal year has taken into account this stability 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, 2006

Exhibit A

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 3)	\$ 3,764,900
Cash with fiscal agents (Note 3)	1,256,596
Investments (Note 3)	543,410
Due from other governments	3,832,350
Inventories and prepaid items	79,396
Restricted assets	35,894
Capital assets, net of accumulated depreciation (Note 5)	
Buildings	4,768,736
Building improvements	122,277
Improvements other than buildings	107,871
Mobile equipment	237,024
Furniture and fixtures	<u>748,327</u>
Total assets	<u>15,496,781</u>
LIABILITIES	
Accounts payable and accrued liabilities	3,227,015
Deferred revenue	618,928
Interest payable on long-term liabilities	160,013
Long-term liabilities (due within one year) (Note 6)	
Capital-related liabilities	1,029,142
Long-term liabilities (due beyond one year) (Note 6)	
Capital related liabilities	10,505,858
Non-capital related liabilities	<u>279,522</u>
Total liabilities	<u>15,820,478</u>
NET ASSETS	
Investment in capital assets (net of related debt)	(5,550,765)
Restricted net assets for:	
Expendable:	
School based activities	1,091,684
Debt service	2,471,596
Capital improvements	86,952
Unemployment benefits	83,112
Nonexpendable	
Sixteenth section	35,894
Unrestricted	<u>1,457,830</u>
Total net assets	<u>\$ (323,697)</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, 2006

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	\$ 30,320,575	378,335	5,809,902		(24,132,338)
Support services	20,820,535		7,413,310		(13,407,225)
Non-instructional services	3,993,883	216,005	3,764,614		(13,264)
Sixteenth section	1,990				(1,990)
Interest on long-term liabilities	660,229				(660,229)
Total governmental activities	\$ 55,797,212	594,340	16,987,826		(38,215,046)
General Revenues:					
Taxes:					
					8,541,295
					114,902
					338,560
Unrestricted grants and contributions:					
					30,212,721
					172,786
					57,406
					146,422
					39,584,092
					1,369,046
					(1,692,743)
					\$ (323,697)

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, 2006

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Title 1-A Basic Fund		
ASSETS				
Cash and cash equivalents (Note 3)	\$ 991,481	(339,020)	3,148,332	3,800,793
Cash with fiscal agents (Note 3)			1,256,596	1,256,596
Investments (Note 3)			543,410	543,410
Due from other governments	1,274,900	897,834	1,639,394	3,812,128
Due from other funds (Note 4)	2,804,512	281,546	860,664	3,946,722
Inventories and prepaid items	24,097		55,299	79,396
Total Assets	\$ 5,094,990	840,360	7,503,695	13,439,045
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,126,953	542,292	557,769	3,227,014
Due to other funds (Note 4)	878,790	264,153	2,783,557	3,926,500
Deferred revenue		33,915	585,013	618,928
Total Liabilities	3,005,743	840,360	3,926,339	7,772,442
Fund balances:				
Reserved for:				
Inventories	24,097		55,299	79,396
Unemployment benefits			83,112	83,112
Debt service			2,471,596	2,471,596
Unreserved:				
Undesignated, reported in:				
General fund	2,065,150			2,065,150
Capital projects fund			86,952	86,952
Special revenue funds			843,939	843,939
Permanent funds			36,458	36,458
Total Fund Balances	2,089,247	0	3,577,356	5,666,603
Total Liabilities & Fund Balances	\$ 5,094,990	840,360	7,503,695	13,439,045

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

GREENVILLE PUBLIC SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 For the year ended June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,666,603
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 \$14,077,964. (Note 5)	5,984,235
2. Accrued interest on bonds payable	(160,013)
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	<u>(11,814,522)</u>
Total Net Assets - Governmental Activities	\$ <u><u>(323,697)</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT

Exhibit D

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

	Major Funds			Total Governmental Funds
	General Fund	Title 1- A Basic Fund	Other Governmental Funds	
REVENUES				
Local sources	\$ 9,479,924		424,017	9,903,941
State sources	29,575,435		1,942,019	31,517,454
Federal sources	547,316	4,211,667	10,924,110	15,683,093
Sixteenth section sources			57,406	57,406
Total revenues	<u>39,602,675</u>	<u>4,211,667</u>	<u>13,347,552</u>	<u>57,161,894</u>
EXPENDITURES				
Instruction	24,021,652	1,519,858	4,799,920	30,341,430
Support services	13,274,074	2,278,615	5,016,928	20,569,617
Non-instructional services	130,183	264,685	3,707,624	4,102,492
Sixteenth section			1,990	1,990
Debt Service:				
Principal	34,142		950,000	984,142
Interest			434,559	434,559
Other	64,568		144,950	209,518
Total expenditures	<u>37,524,619</u>	<u>4,063,158</u>	<u>15,055,971</u>	<u>56,643,748</u>
Excess (deficiency) of revenues over expenditures	<u>2,078,056</u>	<u>148,509</u>	<u>(1,708,419)</u>	<u>518,146</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	4,363			4,363
Operating transfers in	4,031,537		1,795,092	5,826,629
Operating transfers out	<u>(5,524,945)</u>	<u>(135,565)</u>	<u>(166,119)</u>	<u>(5,826,629)</u>
Total other financing sources and uses	<u>(1,489,045)</u>	<u>(135,565)</u>	<u>1,628,973</u>	<u>4,363</u>
Net change in fund balances	<u>589,011</u>	<u>12,944</u>	<u>(79,446)</u>	<u>522,509</u>
Fund balances:				
July 1, 2005	1,494,825	(12,944)	3,633,669	5,115,550
Increase (decrease) in reserve for inventory	<u>5,411</u>		<u>23,133</u>	<u>28,544</u>
June 30, 2006	<u>\$ 2,089,247</u>	<u>0</u>	<u>3,577,356</u>	<u>5,666,603</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, 2006

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 522,509
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 \$254,184 and the depreciation expense amounted to \$321,849. (Note 5)	(67,665)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activity. (Note 6)	984,142
3. Expenses in Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated absences	(82,139)
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(16,153)
5. Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities.	(191)
6. 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.	28,544
7. Rounding adjustment	<u>(1)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,369,046</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, 2006

		Agency Funds
		<u> </u>
Assets		
Cash and cash equivalents	\$	<u>994,371</u>
Total Assets	\$	<u>994,371</u>
Liabilities		
Accounts payable and accrued liabilities	\$	888,527
Due to other funds		20,222
Due to student clubs		<u>85,622</u>
Total Liabilities	\$	<u>994,371</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, 2006

(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 stand-alone 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, 2006

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds 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 the fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in the *Governmental Accounting, Auditing and Financial Reporting*, as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 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. Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the 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, 2006

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in government fund statements and the related assets are reported as capital assets in the government activities column in the government-wide financial statements.

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

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date 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 4 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, 2006

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.

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

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

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, 2006

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 only if the payable has matured, for example, an employee retires.

(2) Changes in Accounting Standards.

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events affecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e) Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bonds sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,800,793 and \$994,371, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents \$3,764,900 and restricted assets \$35,894. The restricted assets of \$35,894 represent the cash balance of the Sixteenth Section Principal Fund of \$35,894, which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$35,894.

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$5,504,728 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,256,596.

Investments.

As of June 30, 2006, the district had the following investment in 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	\$ 543,410	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.

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 \$543,410 investment in Treasury Securities Money Market Fund, \$543,410 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, 2006, 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	\$ 543,410	100%

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental Funds:		
General fund	\$ 2,804,512	878,790
Other major fund		
Title 1-A Basic Fund	281,546	264,153
Other Governmental Funds	860,664	2,783,557
Fiduciary Funds		20,222
Total Funds	\$ 3,946,722	3,946,722

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.

B. Transfers In/Out.

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 4,031,537	5,524,945
Other major fund		
Title 1-A Basic Fund		135,565
Other Governmental Funds	1,795,092	166,119
Total Funds	\$ 5,826,629	5,826,629

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:

	Balance 7-1-2005	Additions	Deletions	Adjustments	Balance 6-30-2006
<u>Depreciable capital assets:</u>					
Buildings	\$ 14,660,781				14,660,781
Building Improvements		124,772			124,772
Improvements other than buildings	206,289				206,289
Mobile equipment	1,479,031				1,479,031

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

	<u>Balance</u> 7-1-2005	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> 6-30-2006
Furniture and equipment	3,480,951	129,412	(19,037)		3,591,326
Total depreciable capital assets	<u>19,827,052</u>	<u>254,184</u>	<u>(19,037)</u>	0	<u>20,062,199</u>
<u>Less accumulated depreciation for:</u>					
Buildings	9,778,047	113,998			9,892,045
Building Improvements		2,495			2,495
Improvements other than buildings	98,418				98,418
Mobile equipment	1,179,232	62,775			1,242,007
Furniture and equipment	2,719,264	142,581	(18,846)		2,842,999
Total accumulated depreciation	<u>13,774,961</u>	<u>321,849</u>	<u>(18,846)</u>	0	<u>14,077,964</u>
Total depreciable capital assets, net	<u>6,052,091</u>	<u>(67,665)</u>	<u>(191)</u>	0	<u>5,984,235</u>
Governmental activities capital assets, net	<u>\$ 6,052,091</u>	<u>(67,665)</u>	<u>(191)</u>	<u>0</u>	<u>5,984,235</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 55,165
Support services	246,537
Non-instructional	<u>20,147</u>
Total depreciation expense	<u>\$ 321,849</u>

(6) Long-term liabilities.

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

	<u>Balance</u> 7-1-2005	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 6-30-2006	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. General obligation bonds payable	\$ 3,165,000		300,000	2,865,000	450,000
B. Limited obligation bonds payable	6,250,000		390,000	5,860,000	410,000
C. Certificates of participation payable	135,000		135,000	0	0
D. Three mill notes payable	260,000		125,000	135,000	135,000
E. Qualified zone academy bonds payable	2,500,000			2,500,000	
F. Other loans payable	209,142		34,142	175,000	34,142
G. Compensated absences payable	197,383	82,139	0	279,522	
Total	<u>\$ 12,716,525</u>	<u>82,139</u>	<u>984,142</u>	<u>11,814,522</u>	<u>1,029,142</u>

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds,					
Series 1992	4.8%-6.1%	10-15-92	10-15-07	\$ 2,100,000	520,000
Series 2004	2.5%-3.9%	12-1-04	12-1-07	<u>2,375,000</u>	<u>2,345,000</u>
 Total				 <u>\$ 4,475,000</u>	 <u>2,865,000</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>
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	200,000	52,028	252,028	
2012-2016	1,095,000	155,680	1,250,680	
2017-2018	<u>300,000</u>	<u>8,010</u>	<u>308,010</u>	
 Total	 <u>\$ 2,865,000</u>	 <u>1,026,727</u>	 <u>3,891,727</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, 2006, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2005. 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:

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement Bonds, Series 1998	4.6%	04-01-98	04-01-16	\$ <u>8,900,000</u>	<u>5,860,000</u>
Total				\$ <u>8,900,000</u>	<u>5,860,000</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>
2007	\$ 410,000	257,600	667,600
2008	430,000	236,650	666,650
2009	455,000	215,673	670,673
2010	475,000	194,738	669,738
2011	500,000	161,550	661,550
2012 - 2013	<u>3,590,000</u>	<u>519,564</u>	<u>4,109,564</u>
Total	\$ <u>5,860,000</u>	<u>1,585,775</u>	<u>7,445,775</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>0</u>
Total				\$ <u>2,895,000</u>	<u>0</u>

This debt was paid off early in part by advance refunding in prior year.

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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	135,000
Total				\$ <u>1,775,000</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>
2007	\$ 135,000	12,320	147,320
Total	\$ <u>135,000</u>	<u>12,320</u>	<u>147,320</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 2000	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.

Debt currently outstanding is as follows:

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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	175,000
Total				\$ <u>614,561</u>	<u>175,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 34,142		34,142
2008	34,142		34,142
2009	34,142		34,142
2010	34,142		34,142
2011	34,142		34,142
2012 - 2013	4,290		4,290
Total	\$ <u>175,000</u>	<u>0</u>	<u>175,000</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 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$3,258,027, \$3,106,710, and \$2,882,280, respectively, which equaled the required contributions for each year.

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(8) Other Commitments.

Operating leases:

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

Lease expenditures for the year ended June 30, 2006, amounted to \$31,274. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2007	\$ 31,274
2008	<u>28,668</u>
Total	<u>\$ 59,942</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
2007	\$ 46,810
2008	46,810
2009	14,480
2010	8,338
2011	6,123
2012 - 2017	<u>30,100</u>
Total	<u>\$ 152,661</u>

(10) Deficit Fund Balance of Individual Funds.

A generic fund type listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

<u>Fund</u>	<u>Fund Balance</u>
EEF - Instruction	\$ 698
Displaced Students	61
Barksdale	<u>2,050</u>
Total	<u>\$ 2,809</u>

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

(11) Short-term Financing.

The district issued a tax and revenue anticipation note to the Hancock Bank of Gulfport, Mississippi for \$2,880,000 on September 30, 2005 at 3.10%. The note was repaid on May 1, 2006. The interest rate was 3.10%.

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Tax & Revenue Anticipation 3.10%	\$ <u>0</u>	<u>2,880,000</u>	<u>2,880,000</u>	<u>0</u>

(12) Litigation.

The district has legal actions filed against it.

1. Reva M. Pree vs. Greenville Public School District
EEOC Charge No. 423-2006-01535

This is a race and gender discrimination action stemming from a non-renewal of Ms. Pree's contract. The EEOC issued Ms. Pree a Dismissal and Notice of Rights, stating the EEOC was unable to conclude that Ms. Pree had established a charge. Ms. Pree has the right to bring suit. At this point none has been filed.

2. Jerome Daniels vs. Greenville Public School District
EEOC Charge No. 423-2006-01535

Mr. Daniels, a former special education teacher, has alleged gender discrimination with the EEOC. The case will go to mediation. If the mediation fails, the District will vigorously defend itself.

3. Gloria J. McCullum vs. The Greenville Municipal Separate School District, Cause No. 0600992.

This is an appeal of a non-renewal of a teacher contract. The Chancery Court Judge has affirmed the Board of Education's decision. The plaintiff is requesting compensatory and punitive damages. The District position is that if the plaintiff eventually is successful, the plaintiff is just entitled to reinstatement. The time for appeal has not expired.

No provision for losses has been accrued in these financial statements.

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(13) Contingent Liabilities.

The District contracted for two school buses to be delivered in the fiscal year ending June 30, 2007. The total price is \$111,987.

The school board authorized issue of a tax and revenue anticipation loan of \$2,400,000 for the 2006 - 2007 school year.

(14) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi 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 119 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 bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, 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.

(15) 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.

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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.

(16) 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.

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.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2007	\$ 150,000
2008	150,000
2009	150,000
2010	<u>300,000</u>
Total	<u>\$ 750,000</u>

(17) 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

GREENVILLE PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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, 2006

	Total
Revenues	
Federal sources	\$ 1,537,343
Total Revenues	1,537,343
Expenditures	
Salaries	450,778
Employee benefits	81,392
Purchased professional and technical services	58,852
Other purchased services	54,236
Supplies	35,814
Property	267,769
Other	439,777
Total Expenditures	1,388,618
Excess (Deficiency) of Revenues Over Expenditures	148,725
Other Financing Sources/Uses	
Transfers out	(148,595)
Net Change in Fund Balance	130
Fund Balance	
July 1, 2005	(130)
June 30, 2006	\$ 0

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, 2006

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
CROSSROADS CONSORTIUM
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Total</u>
Revenues	
Federal sources	\$ <u>1,986,827</u>
Total Revenues	<u>1,986,827</u>
Expenditures	
Salaries	582,248
Employee benefits	182,770
Purchased professional and technical services	435,443
Other purchased services	66,699
Supplies	57,866
Property	47,476
Other	<u>448,066</u>
Total Expenditures	<u>1,820,568</u>
Excess (Deficiency) of Revenues Over Expenditures	166,259
Other Financing Sources/Uses	
Transfers out	<u> </u>
Net Change in Fund Balance	166,259
Fund Balance	
July 1, 2005	<u> 0</u>
June 30, 2006	\$ <u><u>166,259</u></u>

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, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Local sources	\$ 9,565,898	9,565,898	9,479,924	0	(85,974)
State sources	30,591,146	32,191,146	29,575,435	1,600,000	(2,615,711)
Federal sources	250,000	250,000	547,316	0	297,316
Total Revenues	40,407,044	42,007,044	39,602,675	1,600,000	(2,404,369)
Expenditures:					
Instruction	25,740,950	26,073,562	24,021,652	(332,612)	2,051,910
Support services	13,836,557	14,773,362	13,274,074	(936,805)	1,499,288
Non instructional services		130,613	130,183	(130,613)	430
Debt service:					
Principal	34,200	34,200	34,142	0	58
Interest		52,328	64,568	(52,328)	(12,240)
Total Expenditures	39,611,707	41,064,065	37,524,619	(1,452,358)	3,539,446
Excess (Deficiency) of Revenues Over Expenditures	795,337	942,979	2,078,056	147,642	1,135,077
Other Financing Sources (Uses):					
Insurance loss recoveries	15,000	15,000	4,363	0	(10,637)
Proceeds of loans		2,880,000		2,880,000	(2,880,000)
Operating transfers in	4,429,093	4,429,093	4,031,537	0	(397,556)
Operating transfers out	(5,233,430)	(5,233,430)	(5,524,945)	0	(291,515)
Total Other Financing Sources (Uses)	(789,337)	2,090,663	(1,489,045)	2,880,000	(3,579,708)
Net Change in Fund Balances	6,000	3,033,642	589,011	3,027,642	(2,444,631)
Fund Balances:					
July 1, 2005	2,735,606	1,494,826	1,494,825	(1,240,780)	(1)
Increase in reserve for inventory			5,411	0	5,411
June 30, 2006	\$ 2,741,606	4,528,468	2,089,247	1,786,862	(2,439,221)

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, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Federal sources	\$ 4,443,062	4,443,062	4,211,667	0	(231,395)
Total Revenues	<u>4,443,062</u>	<u>4,443,062</u>	<u>4,211,667</u>	<u>0</u>	<u>(231,395)</u>
Expenditures:					
Instruction	1,451,247	1,463,887	1,519,858	(12,640)	(55,971)
Support services	2,583,247	2,671,999	2,278,615	(88,752)	393,384
Non-instructional services	273,404	268,729	264,685	4,675	4,044
Total Expenditures	<u>4,307,898</u>	<u>4,404,615</u>	<u>4,063,158</u>	<u>(96,717)</u>	<u>341,457</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>135,164</u>	<u>38,447</u>	<u>148,509</u>	<u>(96,717)</u>	<u>110,062</u>
Other Financing Sources (Uses):					
Operating transfers out	(135,565)	(135,565)	(135,565)	0	0
Total Other Financing Sources (Uses)	<u>(135,565)</u>	<u>(135,565)</u>	<u>(135,565)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(401)</u>	<u>(97,118)</u>	<u>12,944</u>	<u>(96,717)</u>	<u>110,062</u>
Fund Balances:					
July 1, 2005	<u>948,557</u>	<u>(12,944)</u>	<u>(12,944)</u>	<u>(961,501)</u>	<u>0</u>
June 30, 2006	\$ <u>948,156</u>	<u>(110,062)</u>	<u>0</u>	<u>(1,058,218)</u>	<u>110,062</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, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

(3) Other Individual Fund Disclosures.

(A) 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		
T. L. Weston Athletics	\$	24,586
Special Revenue Funds		
Summer Feeding		19,492
Crossroads Project - 2 nd Year		32,881
Displaced Student Grant		11,085
Debt Service		
1992 Bond Debt Service		285,160

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

(B) Individual funds that are required to be budgeted but are not budgeted:

Reading Sufficiency - Armstrong
MAEP Debt Service
Miscellaneous Activity Account

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, 2006

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 distribution	10.550	226,203
Child nutrition cluster:		
School breakfast program	10.553	770,641
National school lunch program	10.555	2,388,515
Summer food service program for children	10.559	201,205
Total child nutrition cluster		<u>3,360,361</u>
Total U.S. Department of Agriculture		<u>3,586,564</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	490,811
Total Federal Communications Commission		<u>490,811</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Safe and drug-free schools and communities national programs	84.184	1,645,380
Twenty-first Century Community Learning Centers	84.287	845,428
Total		<u>2,490,808</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	4,420,582
Vocational education - basic grants to states	84.048	149,804
Safe and drug-free schools and communities - state grants	84.186	35,563
Twenty-first Century Community Learning Centers	84.287	950,507
Innovative education program strategies	84.298	41,984
Education technology state grant	84.318	115,292
Comprehensive school reform demonstration	84.332	130,000
Improving teacher quality - state grants	84.367	940,112
Grants for state assessments and related activities	84.369	44,244
Hurricane Education Recovery Act Programs	84.938	584,332
Total		<u>7,412,420</u>
Special education cluster:		
Special education - grants to states	84.027	1,675,555
Special education - preschool grants	84.173	24,215
Total		<u>1,699,770</u>
Total passed-through Mississippi Department of Education		<u>9,112,190</u>
Total U.S. Department of Education		<u>11,602,998</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	37,438
Passed-through Mississippi State University:		
Gaining early awareness and readiness in undergraduate programs	84.334	46,349

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Dyslexic Grant	84.XXX	5,095
Middle Delta 21 st Century	84.287	18,817
Total Other Federal Assistance		<u>107,699</u>
Total for All Federal Awards		<u>\$ 15,788,072</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, 2006, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$175,000.

GREENVILLE PUBLIC SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year ended June 30, 2006

Expenditures	Total	Instruction and Other Student			
		Instructional Expenditures	General Administrative	School Administrative	Other
Salaries and fringe benefits	\$ 41,413,829	33,260,982	1,835,316	1,944,288	4,373,243
Other	15,229,919	3,289,548	430,507	456,068	11,053,796
Total	\$ 56,643,748	36,550,530	2,265,823	2,400,356	15,427,039
Total number of students *	\$ 7,260				
Cost per student	\$ 7,802	5,035	312	331	2,124

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type - (all the 1000, 2100, and 2200 functional codes)

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

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

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

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, 2006, which collectively comprise the Greenville Public School District's basic financial statements and have issued our report thereon dated July 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described in the finding referred to above is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated July 15, which is included in this report.

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

Elliot Weinberg CPA PLLC

July 16, 2007

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, 2006. 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.

In our opinion, the 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, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, which is described in the Schedule of Findings and Questioned Costs as finding 2006-02.

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 a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our 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. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2006-02.

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

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

July 16, 2007

Elliot Harberg CPA PLLC

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, 2006, which collectively comprise Greenville Public School District's basic financial statements, and have issued our report thereon dated July 16, 2007. 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 \$698 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 resources available within that fund for such expenditures.

The following funds had expenditures in excess of budgets:

	<u>Excess Expenditure</u>
T. L. Weston Athletics	\$ 24,586
Summer Feeding	19,492
Crossroads project - 2 nd Year	32,881
Displaced Student	11,085
Bond Debt Service	285,160

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 37-6-15 requires Board members to be bonded in the amount of \$50,000. One board member's bond was only \$25,000.

Recommendation

Have all personnel bonded as required by statute.

School District's Response

This situation has been subsequently corrected.

3. Finding

Sections 37-61-19 and 37-61-9 require all funds to be budgeted. The following funds were not budgeted:

Reading Sufficiency - Armstrong
MAEP Debt Service
Miscellaneous Activity Account

Recommendation

Budget all funds as required by statute.

School District's Response

We will increase our efforts to comply.

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.

Elliot Hurberg CPA PLLC

July 16, 2007

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, 2006

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? | Yes |
| 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: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| 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: Child Nutrition Cluster
CFDA # 10.553
CFDA # 10.555
CFDA # 10.559 | |
| b. | The Schools and Libraries Program of the Universal Service Fund
CFDA # 32.XXX | |
| c. | Improving Teacher Quality
CFDA # 84.367 | |
| d. | Twenty-first Century Community Learning Center
Direct Program
Passed-through State Department of Education
Other Federal Assistance
CFDA #84.287 | |
| e. | Safe and Drug-free Schools and Communities National Programs:
CFDA # 84.184 | |

GREENVILLE PUBLIC SCHOOL DISTRICT

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

- f. Hurricane Education Recovery Programs
CFDA # 84.938
- | | | |
|-----|---|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$473,642 |
| 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 |

Section 2: Financial Statement Findings

Reportable Condition that is a Material Weakness:

2006-1 Finding

There were no controls in place or the controls failed to work that would allow the school district to account for donated commodities. A year's worth of commodity revenue and expenses were not included in the financial statements.

Recommendation

The school district should develop a system that allows for the food service department to report to the business office the amount of commodities received each month. The business office could then record this information in a journal and record it in the general ledger.

Section 3: Federal Award Findings and Questioned Costs

Immaterial Non-Compliance and Reportable Internal Control Condition:

2006-2 Finding

	<u>Name</u>	<u>CFDA</u>	<u>Grantor/ Pass-through Grantor</u>
Program:	Safe and Drug-Free Schools and Communities National Program	84.184	U. S. Department of Education

Compliance Requirement: Cash Management

Criteria:

Federal programs should have only enough cash for its immediate needs.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Condition

This direct funded program had excess cash from October 2005 through May 2006. The average cash balance at the end of each month was approximately \$626,000. By June 30, 2006 the cash balance was zero.

Cause

The internal controls over this procedure were insufficient to prevent this situation.

Effect

This situation if not corrected could effect future funding.

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT

AUDITEES' CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR AUDIT FINDINGS

GREENVILLE PUBLIC SCHOOL DISTRICT

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ESTES TAPLIN
SUPERINTENDENT

412 SOUTH MAIN STREET
P.O. Box 1619
GREENVILLE, MS 38702-1619
662-334-7001 FAX 662-334-3646

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, 2006.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2006-1	A. Jamie Rutledge, CPA B. We will develop a system for the food service department to report commodity receipts to the business office. C. The controls will be implemented by December 15, 2007.
2006-2	A. Jamie Rutledge, CPA B. We will change the way we request funds and will quit using estimated encumbrance amounts. We will use actual expenditures. C. These controls will be implemented by March 1, 2007.


Signature

BUSINESS MANAGER
Title

GREENVILLE PUBLIC SCHOOL DISTRICT

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ESTES TAPLIN
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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, 2006.

Finding

- | | |
|--------|--|
| 2005-1 | This situation has been corrected. |
| 2005-2 | This situation has been corrected. |
| 2005-3 | This situation has been corrected since June 30, 2006. |
| 2005-4 | This situation has been corrected since June 30, 2006. |



Signature
BUSINESS MANAGER

Title

GREENVILLE PUBLIC SCHOOL DISTRICT

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