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Greenville Public School District
Financial Statements
June 30, 2007

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi





GREENVILLE PUBLIC SCHOOL DISTRICT

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GREENVILLE PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Superintendent and School Board
Greenville Public School District

We have audited the 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, 2007, 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, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2009, 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 12 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.

March 9, 2009

Ellis & Hurlberg CPA PLLC

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, 2007

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, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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 \$1,009,939, which represents a 312% increase from fiscal year 2006. This was due in part to revenues remaining constant while expenses decreased. Another part was due to prior period adjustments. See Note 2.

General revenues account for \$40,860,568 in revenue, or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,296,408 or 26% of total revenues.

The District had \$55,484,305 in expenses; only \$14,296,408 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$40,860,568 were not adequate to provide for these programs.

Among major funds, the General Fund had \$40,258,568 in revenues and \$41,769,760 in expenditures. The General Fund's fund balance decreased \$92,974 over the prior year. General Fund revenue was up \$655,893 over the prior year while expense increased \$4,245,141.

Capital assets, net of accumulated depreciation, increased by \$691,333 due to prior period adjustments. Spending on new assets did not keep pace with the depreciation expense.

Long-term debt decreased by \$1,009,746.

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 - 39 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 41 - 44 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, assets exceeded liabilities by \$686,242 as of June 30, 2007.

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 2007, respectively.

	<u>Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2006</u>	<u>June 30, 2007</u>	
Current assets	\$ 9,512,546	8,571,545	(9.89)%
Capital assets, net	<u>5,984,235</u>	<u>6,675,567</u>	11.55%
Total assets	<u>15,496,781</u>	<u>15,247,112</u>	(1.61)%
Current liabilities	5,035,098	4,655,236	(7.54)%
Long-term debt outstanding	<u>10,785,380</u>	<u>9,905,634</u>	(8.16)%
Total liabilities	<u>15,820,478</u>	<u>14,560,870</u>	(7.96)%
Net assets:			
Invested in capital assets, net of related debt	(5,550,765)	(3,830,291)	31.00%
Restricted	3,769,238	3,403,954	(9.69)%
Unrestricted	<u>1,457,830</u>	<u>1,112,579</u>	(23.68)%
Total net assets	<u>\$ (323,697)</u>	<u>686,242</u>	312%

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

The principal retirement of \$1,029,142 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$55,156,976. The total cost of all programs and services was \$55,484,305. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2007.

	<u>Changes in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2006</u>	<u>June 30, 2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 594,340	515,556	(13.26)%
Operating grants and contributions	16,987,826	13,780,852	(18.88)%
General revenues:			
Property taxes	8,994,757	8,972,525	(.25)%
Grants and contributions not restricted	30,212,721	31,210,665	3.30%
Other	<u>376,614</u>	<u>677,378</u>	79.86%
Total revenues	<u>57,166,258</u>	<u>55,156,976</u>	(3.51)%
Expenses:			
Instruction	30,320,575	31,632,437	4.32%
Support services	20,820,535	19,259,520	(7.50)%
Non-instructional	3,993,883	4,103,280	2.74%

Sixteenth Section	1,990	595	(70.1)%
Interest and other expense on long-term liabilities	<u>660,229</u>	<u>488,473</u>	(26.01)%
Total expenses	<u>55,797,212</u>	<u>55,484,305</u>	(.56)%
Increase (Decrease) in net assets	1,369,046	(327,329)	(100.24)%
Net Assets, July 1	(1,692,743)	(323,697)	80.87%
Prior Period Adjustments		<u>1,337,268</u>	
Net Assets, June 30	\$ <u>(323,697)</u>	<u>686,242</u>	312.00%

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. Prior period adjustments to net fixed assets and corrections of payroll errors caused the fund balance to increase. See Note 2, page 27.

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 2007, 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		2007	
	Total Expenses	Net (Expense) Revenues	Total Expenses	Net (Expense) Revenues
Instruction	\$ 30,320,575	\$ (24,132,338)	\$ 31,632,437	\$ (17,518,764)
Support services	20,820,535	(13,407,225)	19,259,520	(19,259,520)
Non-instructional	3,993,883	(13,264)	4,103,280	(3,920,545)
Sixteenth Section	1,990	(1,990)	595	(595)
Interest and other expenses on long-term liabilities	<u>660,229</u>	<u>(660,229)</u>	<u>488,473</u>	<u>(488,473)</u>
Total expenses	\$ <u>55,797,212</u>	<u>(38,215,046)</u>	\$ <u>55,484,305</u>	\$ <u>(41,187,897)</u>

Net cost of governmental activities \$41,187,897, was financed in part by general revenue, which is made up primarily of property taxes \$8,531,535 and state revenue \$31,210,665.

Investment earnings accounted for \$409,141 of funding.

Sixteenth Section income was \$47,493.

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 \$4,997,415, a decrease of \$669,188 due primarily to increased expenses. \$2,035,838 or 41% 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 \$2,961,577 or 59% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$992,974 before prior period adjustments, a result of expenses being larger than revenues and net transfers. The fund balance of Other Governmental Funds showed a decrease of \$286,288.

The QZAB Fund is a debt service fund. More detail on this fund is provided in Note 6 and Note 15. The fund accumulates cash to pay off a no interest loan. The loan is for \$2,500,000 due July 20, 2010. Currently the amount available for servicing this loan is \$1,515,938.

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 reflect realities of the economic conditions that existed during the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2007, the District's total capital assets were \$21,713,315, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,651,116 from the previous year. The District purchased two school buses. Total accumulated depreciation as of June 30, 2007 was \$15,037,747 and the total depreciation expense for the year was \$633,969, resulting in total net assets of \$6,675,568.

During the year it was determined that the land the school buildings are built on is titled to the school district and not to the City of Greenville. This has been recorded at estimated market value at the time of transfer. Also during the year it was discovered that some assets and depreciation expense were not being included in the summary figures. The District changed computer systems during the year. At that time it was discovered that some assets were not being depreciated, while others were being over depreciated. Some depreciable assets were not included in the listing of depreciable assets. This increased assets a net of \$991,663. See Note 2 on page 27.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2007</u>	
Land	\$	42,480	100.0%
Buildings	4,768,736	5,316,664	11.49%
Building improvements	122,277	0	100.00%
Improvements other than buildings	107,871	39,057	(63.79)%
Mobile equipment	237,024	853,891	260.26%
Furniture and equipment	748,327	423,476	(43.41)%
Total	\$	<u>6,675,568</u>	11.55%

Additional information of the District's capital assets can be found in Note 5 on page 30 of this report.

Debt Administration. At June 30, 2007, the District had \$10,804,776 in general obligation bonds and other long-term debt outstanding, of which \$899,142 is due within one year. No new bonds were acquired during the current year. Liability for compensated absences increased \$19,396.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2007</u>	
General obligation bonds payable	\$ 2,865,000	2,415,000	(15.71)%
Three mill notes payable	135,000	0	(100.00)%
Qualified zone academy bonds payable	2,500,000	2,500,000	0%
Other loans payable	175,000	140,858	(19.51)%
Limited obligation bonds payable	5,860,000	5,450,000	(7.00)%
Compensated absences payable	279,522	298,918	6.93%
Total	\$	<u>10,804,776</u>	(8.55)%

Additional information of the District's long-term debt can be found in Note 6 on page 31 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 59.7 mills. This is a 2.9 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.

The superintendent resigned after the school year and a search for his replacement has begun.

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

FINANCIAL STATEMENTS

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GREENVILLE PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,849,440
Cash with fiscal agents	1,515,937
Investments	622,101
Due from other governments	1,459,502
Inventories	86,953
Restricted assets	37,612
Capital assets, not being depreciated	
Land	42,480
Capital assets, net of accumulated depreciation	
Buildings	5,316,664
Improvements other than buildings	39,057
Mobile equipment	853,890
Furniture and equipment	<u>423,476</u>
 Total assets	 <u>15,247,112</u>
LIABILITIES	
Accounts payable and accrued liabilities	956,337
Due to other governments	2,062,443
Unearned revenue	555,351
Interest payable on long-term liabilities	181,963
Long-term liabilities (due within one year)	
Capital related	899,142
Long-term liabilities (due beyond one year)	
Capital related	9,606,716
Non-capital related	<u>298,918</u>
 Total liabilities	 <u>14,560,870</u>
NET ASSETS	
Investment in capital assets (net of related debt)	(3,830,291)
Restricted net assets:	
Expendable:	
School based activities	585,622
Debt service	2,559,941
Capital improvements	88,059
Unemployment benefits	132,720
Nonexpendable:	
Sixteenth section	37,612
Unrestricted	<u>1,112,579</u>
 Total net assets	 \$ <u><u>686,242</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2007

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
Primary Government					
Governmental Activities:					
Instruction	\$ 31,632,437	332,821	13,780,852		(17,518,764)
Support services	19,259,520				(19,259,520)
Non-instructional services	4,103,280	182,735			(3,920,545)
Sixteenth section	595				(595)
Interest on long-term liabilities	488,473				(488,473)
Total governmental activities	\$ 55,484,305	515,556	13,780,852		(41,187,897)
General Revenues:					
Taxes:					
					8,531,535
					440,990
Unrestricted grants and contributions:					
					31,210,665
					409,141
					47,493
					220,744
					40,860,568
					(327,329)
					(323,697)
					1,337,268
					1,013,571
					\$ 686,242

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

GREENVILLE PUBLIC SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	QZAB Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents (Note 3)	\$ 2,495,329		2,391,722	4,887,051
Cash with fiscal agents (Note 3)		1,515,938		1,515,938
Investments (Note 3)			622,101	622,101
Due from other governments	902,718		556,786	1,459,504
Due from other funds (Note 4)	3,958,546		2,309,549	6,268,095
Inventories	11,999		74,954	86,953
Total Assets	\$ 7,368,592	1,515,938	5,955,112	14,839,642
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 612,986		343,352	956,338
Due to other funds (Note 4)	5,344,109		2,986,428	8,330,537
Unearned revenue			555,352	555,352
Total Liabilities	5,957,095	0	3,885,132	9,842,227
Fund balances:				
Reserved for:				
Inventories	11,999		74,954	86,953
Unemployment benefits			132,720	132,720
Debt service funds		1,515,938	1,225,966	2,741,904
Unreserved:				
Undesignated, reported in:				
General fund	1,399,498			1,399,498
Special revenue funds			510,669	510,669
Capital projects fund			88,059	88,059
Permanent funds			37,612	37,612
Total Fund Balances	1,411,497	1,515,938	2,069,980	4,997,415
Total Liabilities & Fund Balances	\$ 7,368,592	1,515,938	5,955,112	14,839,642

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, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,997,415
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 \$15,037,747. (See Note 5)	6,633,086
2. Accrued interest on bonds payable	(181,963)
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(10,804,776)
4. Addition of land previously not recorded.	<u>42,480</u>
Total Net Assets - Governmental Activities	\$ <u><u>686,242</u></u>

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

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

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	QZAB Fund		
REVENUES				
Local source	\$ 9,186,546	164,555	696,387	10,047,488
State sources	30,486,036		1,753,637	32,239,673
Federal sources	585,986		12,165,858	12,751,844
Sixteenth section sources			47,494	47,494
Total revenues	<u>40,258,568</u>	<u>164,555</u>	<u>14,663,376</u>	<u>55,086,499</u>
EXPENDITURES				
Instruction	24,747,836		6,070,861	30,818,697
Support services	14,551,614		5,140,551	19,692,165
Non-instructional services			4,043,456	4,043,456
Sixteenth section			595	595
Facilities acquisition and construction			74,256	74,256
Debt Service:				
Principal	34,142		995,000	1,029,142
Interest	46,368		357,406	403,774
Other		1,250	1,389	2,639
Total expenditures	<u>39,379,960</u>	<u>1,250</u>	<u>16,683,514</u>	<u>56,064,724</u>
Excess (deficiency) of revenues over expenditures	<u>878,608</u>	<u>163,305</u>	<u>(2,020,138)</u>	<u>(978,225)</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	13,468			13,468
Operating transfers in	4,107,700	151,200	2,144,057	6,402,957
Operating transfers out	<u>(5,992,750)</u>		<u>(410,207)</u>	<u>(6,402,957)</u>
Total other financing sources and uses	<u>(1,871,582)</u>	<u>151,200</u>	<u>1,733,850</u>	<u>13,468</u>
Net change in fund balances	<u>(992,974)</u>	<u>314,505</u>	<u>(286,288)</u>	<u>(964,757)</u>
Fund balances:				
July 1, 2006	2,089,247	1,201,433	2,375,923	5,666,603
Prior period adjustment	<u>303,126</u>			<u>303,126</u>
July 1, 2006, as restated (Note 2)	2,392,373	1,201,433	2,375,923	5,969,729
Increase (decrease) in reserve for inventory	<u>12,098</u>		<u>(19,655)</u>	<u>(7,557)</u>
June 30, 2007	<u>\$ 1,411,497</u>	<u>1,515,938</u>	<u>2,069,980</u>	<u>4,997,415</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, 2007

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (964,757)
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 \$325,866 and the depreciation expense amounted to \$633,969. (Note 5)	(308,103)
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)	3,418,942
3. Proceeds of debt are reported as revenue in government funds, but the receipt increases liabilities in the Statement of Activities (Note 11)	(2,389,800)
4. Expenses in Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated absences	(19,396)
5. 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.	(21,951)
6. Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities.	(34,707)
7. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities.	<u>(7,557)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(327,329)</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT
 Statement of Fiduciary Assets and Liabilities
 June 30, 2007

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$	712,761
Due from other funds		<u>4,789,039</u>
 Total Assets	 \$	 <u><u>5,501,800</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	2,682,007
Due to other funds		2,726,597
Due to student clubs		<u>93,196</u>
 Total Liabilities	 \$	 <u><u>5,501,800</u></u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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.

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, 2007

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

QZAB Fund - This is a debt service fund. For more information on this program see Note 15.

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, 2007

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, 2003* issued by the U.S. Department of Education.

F. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts during the fiscal year. However, the district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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 three months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than three months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the 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, 2007

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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, 2007

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, 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, 2007

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) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statements of Activities

<u>Explanation</u>	<u>Amount</u>
1. The school district determined that payroll liabilities dealing with workman's compensation insurance had been paid in prior periods	\$ 303,126
2. When the school district changed accounting software, errors in the depreciation program were discovered. Some assets were not being depreciated and others had been over depreciated. Some depreciable assets were not included in the listing of depreciable assets. Also see Note 5.	991,662
3. The school district discovered that it owned the land that the school buildings stood on instead of the City of Greenville. That land was deeded to the district about forty years ago. It has been recorded at the estimated values at the date of the donation from the city.	<u>42,480</u>
<u>Total</u>	<u>\$ 1,337,268</u>

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

<u>Major Funds</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	The school district determined that payroll liabilities dealing with workman's compensation insurance had been paid in prior periods.	\$ <u>303,126</u>
<u>Total</u>		<u>\$ 303,126</u>

(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 Sate Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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 \$4,887,051 and \$712,761, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents \$4,849,440 and restricted assets \$37,612. The restricted assets of \$37,612 represent the cash balance of the Sixteenth Section Principal Fund of \$37,612, which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$6,180,524.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$6,180,524 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 \$1,515,937.

Investments.

As of June 30, 2007, 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	\$ 622,101	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.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Custodial Credit Risk - Investments.

Custodial credit risk is defined as the risk that, in the event of the failure of the counter party, 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 \$622,101 investment in Treasury Securities Money Market Fund, \$622,101 of underlying securities are held by the investments counter party, not in the name of the district. The investment in Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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, 2007, 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	\$ 622,101	100%

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 3,958,546	5,344,109
Other Governmental Funds	2,309,549	2,986,428
Fiduciary Funds	<u>4,789,039</u>	<u>2,726,597</u>
Total Funds	<u>\$ 11,057,134</u>	<u>11,057,134</u>

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

B. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 4,107,700	5,992,750
Other major fund QZAB Fund	151,200	
Other Governmental Funds	<u>2,144,057</u>	<u>410,207</u>
Total Funds	<u>\$ 6,402,957</u>	<u>6,402,957</u>

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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 7-1-2006	Additions	Deletions	Adjustments	Balance 6-30-2007
Non-depreciable capital assets					
Land	\$			42,480	42,480
Total non-depreciable capital assets	0	0	0	42,480	42,480
Depreciable capital assets:					
Buildings	14,660,781			791,503	15,452,284
Building Improvements	124,772			(124,772)	0
Improvements other than buildings	206,289			(11,005)	195,284
Mobile equipment	1,479,031	260,575	(234,269)	1,417,941	2,923,278
Furniture and equipment	3,591,326	65,291	(252,700)	(303,928)	3,099,989
Total depreciable capital assets	20,062,199	325,866	(486,969)	1,769,739	21,670,835
Less accumulated depreciation for:					
Buildings	9,892,045	101,214		142,361	10,135,620
Building Improvements	2,495			(2,495)	0
Improvements other than buildings	98,418			57,809	156,227
Mobile equipment	1,242,007	127,742	(210,842)	910,480	2,069,387
Furniture and equipment	2,842,999	405,013	(241,420)	(330,079)	2,676,513
Total accumulated depreciation	14,077,964	633,969	(452,262)	778,076	15,037,747
Total depreciable capital assets, net	5,984,235	(308,103)	(34,707)	991,663	6,633,088
Governmental activities capital assets, net	\$ 5,984,235	(308,103)	(34,707)	1,034,143	6,675,568

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 54,936
Support services	552,831
Non-instructional	26,202
Total depreciation expense	\$ 633,969

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(6) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds payable	\$ 2,865,000		450,000	2,415,000	435,000
B. Limited obligation bonds payable	5,860,000		410,000	5,450,000	430,000
C. Three mill notes payable	135,000		135,000	0	
D. Qualified zone academy bonds payable	2,500,000			2,500,000	
E. Other loans payable	175,000		34,142	140,858	34,142
F. Compensated absences payable	<u>279,522</u>	<u>19,396</u>	<u>0</u>	<u>298,918</u>	
Total	\$ <u>11,814,522</u>	<u>19,396</u>	<u>1,029,142</u>	<u>10,804,776</u>	<u>899,142</u>

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1992	4.8%-6.1%	10-15-92	10-15-07	\$ 2,100,000	250,000
Series 2004	2.5%-3.9%	12-1-04	12-1-17	<u>2,375,000</u>	<u>2,165,000</u>
Total				\$ <u>4,475,000</u>	<u>2,415,000</u>

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

	Year Ending June 30	Principal	Interest	Total
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	205,000	45,646	250,646	
2013-2017	1,130,000	116,874	1,246,874	
2018-2022	<u>60,000</u>	<u>1,170</u>	<u>61,170</u>	
Total	\$ <u>2,415,000</u>	<u>661,667</u>	<u>3,076,667</u>	

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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, 2007, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2006. 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:

<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>5,450,000</u>
Total				\$ <u>8,900,000</u>	<u>5,450,000</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>
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	525,000	147,678	672,678
2013 - 2018	<u>3,065,000</u>	<u>371,886</u>	<u>3,436,886</u>
Total	\$ <u>5,450,000</u>	<u>1,328,175</u>	<u>6,778,175</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. Three mill notes payable.

Debt currently outstanding is as follows:

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes series, 1997	4.3% - 4.4%	12-15-97	12-17-07	\$ 1,775,000	0
Total				\$ <u>1,775,000</u>	<u>0</u>

This debt was paid off in the current year.

D. Qualified zone academy bonds payable.

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
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. During the period \$150,000 was deposited into the sinking fund account (with fiscal agent).

E. 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:

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	140,858
Total				\$ <u>614,561</u>	<u>140,858</u>

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
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	\$ 140,858	0	140,858

This debt will be retired from the general fund.

F. 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 rate for fiscal year ended June 30, 2007 was 11.3% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$3,655,564, \$3,258,027, and \$3,106,710, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Operating leases:

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

Lease expenditures for the year ended June 30, 2007, amounted to \$31,274. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2008	\$ 28,668

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(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
2008	\$ 46,810
2009	30,337
2010	13,180
2011	6,123
2012	6,090
2013 - 2017	<u>24,080</u>
Total	<u>\$ 126,620</u>

(10) Deficit Fund Balance of Individual Funds.

The gaming fund has a deficit fund balance in the amount of \$22,670.

The deficit fund balance is in violation of Section 37-61-19 Miss. Code Ann (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann (1972), allows the school board of the school district, with the assistance from the superintendent to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

(11) Short-term Financing.

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2007 are as follows:

	Balance 7/1/06	Additions	Reductions	Balance 6/30/07
Tax & Revenue Anticipation 3.96%	\$ 0	2,389,800	2,389,800	0

(12) Litigation.

The district has legal actions filed against it.

1. Charity Wright Vs. Greenville Public School District,
Chancery Court of Washington County, Mississippi;
Cause No. 0801315

This is an appeal of a non-renewal of a teacher contract. The petition does not seek any monetary damages, only reinstatement. The District is currently in negotiations with the plaintiff to settle the matter. If settlement efforts fail, it is believed that the District has creditable defenses and will contest the appeal vigorously.

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(13) Contingent Liabilities.

The District was requested to repay \$292,647 of federal Hurricane Education Recovery Act funds. The District disputes the claim and has not repaid the money. The office handling these funds has since closed. No liability has been set up for this claim.

(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 121 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 \$700,000. For a claim exceeding \$700,000, 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) 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.

Year Ending June 30		Amount
2008	\$	150,000
2009		150,000
2010		<u>300,000</u>
Total	\$	<u>600,000</u>

GREENVILLE PUBLIC SCHOOL DISTRICT

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

(16) 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:

Hollandale School District

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
21ST CENTURY LEARNING CENTERS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Total</u>
Revenues	
Federal sources	\$ <u>251,457</u>
Total Revenues	<u>251,457</u>
Expenditures	
Salaries	140,773
Employee benefits	27,756
Purchased professional and technical services	25,989
Supplies	1,597
Other	<u>47,158</u>
Total Expenditures	<u>243,273</u>
Excess (Deficiency) of Revenues Over Expenditures	8,184
Other Financing Sources/Uses	
Transfers in	959
Transfers out	<u>(959)</u>
Net Change in Fund Balance	8,184
Fund Balance	
July 1, 2006	<u>0</u>
June 30, 2007	\$ <u><u>8,184</u></u>

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

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

The following other school districts are in this consortium:

Sunflower County School District
Leland School District

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
CROSSROADS CONSORTIUM
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Total</u>
Revenues	
Federal sources	\$ <u>1,269,330</u>
Total Revenues	<u>1,269,330</u>
Expenditures	
Salaries	295,357
Employee benefits	112,462
Purchased professional and technical services	346,971
Other purchased services	73,299
Supplies	67,427
Property services	88,756
Other	<u>136,517</u>
Total Expenditures	<u>1,120,789</u>
Excess (Deficiency) of Revenues Over Expenditures	148,541
Other Financing Sources/Uses	
Transfers in	13,652
Transfers out	<u>(328,452)</u>
Net Change in Fund Balance	(166,259)
Fund Balance	
July 1, 2006	<u>166,259</u>
June 30, 2007	\$ <u><u>0</u></u>

This was the last year of this program.

(17) Account Classification.

There have been some reclassifications in the way some transactions have been recorded from the prior year.

(18) Subsequent Events.

- A. In the fiscal year ending in June 2008 the Board of Education authorized a tax anticipation loan of \$2,575,000.
- B. The City of Greenville has stopped remitting the School District's share of gaming funds.
- C. The superintendent resigned, an interim superintendent has been named while a search for a permanent superintendent continues.

GREENVILLE PUBLIC SCHOOL DISTRICT

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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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Local sources	\$ 9,575,302	9,790,352	9,186,546	215,050	(603,806)
State sources	32,444,045	38,507,404	30,486,036	6,063,359	(8,021,368)
Federal sources	350,000	425,000	585,986	75,000	160,986
Total Revenues	<u>42,369,347</u>	<u>48,722,756</u>	<u>40,258,568</u>	<u>6,353,409</u>	<u>(8,464,188)</u>
Expenditures:					
Instruction	26,316,667	26,643,061	24,747,836	(326,394)	1,895,225
Support services	15,118,735	15,846,785	14,551,614	(728,050)	1,295,171
Facilities acquisition and construction	320,000	320,000		0	320,000
Debt service:					
Principal	34,200	5,402,696	2,423,942	(5,368,496)	2,978,754
Interest			46,368	0	(46,368)
Total Expenditures	<u>41,789,602</u>	<u>48,212,542</u>	<u>41,769,760</u>	<u>(6,422,940)</u>	<u>6,442,782</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>579,745</u>	<u>510,214</u>	<u>(1,511,192)</u>	<u>(69,531)</u>	<u>(2,021,406)</u>
Other Financing Sources (Uses):					
Proceeds of loans			2,389,800	0	2,389,800
Insurance loss recoveries	10,000	31,250	13,468	21,250	(17,782)
Operating transfers in	5,018,845	5,031,831	4,107,700	12,986	(924,131)
Operating transfers out	(5,649,696)	(5,967,696)	(5,992,750)	(318,000)	(25,054)
Total Other Financing Sources (Uses)	<u>(620,851)</u>	<u>(904,615)</u>	<u>518,218</u>	<u>(283,764)</u>	<u>1,422,833</u>
Net Change in Fund Balances	<u>(41,106)</u>	<u>(394,401)</u>	<u>(992,974)</u>	<u>(353,295)</u>	<u>(598,573)</u>
Fund Balances:					
July 1, 2006	2,608,374	2,608,374	2,089,247	0	(519,127)
Prior period adjustments	(216,001)	(216,001)	303,126	0	519,127
July 1, 2006 as restated	<u>2,392,373</u>	<u>2,392,373</u>	<u>2,392,373</u>	<u>0</u>	<u>0</u>
Increase in reserve for inventory			12,098	0	12,098
June 30, 2007	<u>\$ 2,351,267</u>	<u>1,997,972</u>	<u>1,411,497</u>	<u>(353,295)</u>	<u>(586,475)</u>

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

GREENVILLE PUBLIC SCHOOL DISTRICT

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

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	
Gaming Fund	\$ 13,533

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

(B) There were no unbudgeted funds.

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, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	224,776
Child nutrition cluster:		
School breakfast program	10.553	796,481
National school lunch program	10.555	2,413,771
Summer food service program for children	10.559	144,122
Total child nutrition cluster		<u>3,354,374</u>
Total U.S. Department of Agriculture		<u>3,579,150</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	420,816
Total Federal Communications Commission		<u>420,816</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Safe and drug-free schools and communities national programs	84.184	1,287,137
Total		<u>1,287,137</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	4,026,770
Career and technical education	84.048	145,807
Safe and drug-free schools and communities - national programs	84.184	9,864
Safe and drug-free schools and communities - state grants	84.186	53,819
Twenty-first Century Community Learning Centers	84.287	241,933
Innovative education program strategies	84.298	15,423
Education technology state grant	84.318	80,424
Improving teacher quality - state grants	84.367	721,068
Hurricane Education Recovery Act Programs	84.938	305,486
Total		<u>5,600,594</u>
Special education cluster:		
Special education - grants to states	84.027	1,869,472
Special education - preschool grants	84.173	22,926
Total		<u>1,892,398</u>
Total passed-through Mississippi Department of Education		<u>7,492,992</u>
Total U.S. Department of Education		<u>8,780,129</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	50,034
Passed-through Mississippi State University:		
Gaining early awareness and readiness in undergraduate programs	84.334	3,000

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Passed-through Mississippi Department of Human Services: Medical Assistant Program (Medicaid Title XIX)	93.778	114,974
Total Other Federal Assistance		<u>168,008</u>
Total for All Federal Awards		\$ <u><u>12,948,103</u></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, 2007, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$140,858.

GREENVILLE PUBLIC SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year ended June 30, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administrative	Other
Salaries and fringe benefits	\$ 44,972,412	32,926,583	1,726,630	2,655,382	7,663,817
Other	<u>13,482,112</u>	<u>3,883,621</u>	<u>1,175,387</u>	<u>80,703</u>	<u>8,342,401</u>
Total	\$ <u>58,454,524</u>	<u>36,810,204</u>	<u>2,902,017</u>	<u>2,736,085</u>	<u>16,006,218</u>
Total number of students	7,001				
Cost per student	\$ 8,349	5,258	415	391	2,286

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, 2007, which collectively comprise the Greenville Public School District's basic financial statements and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above in Finding 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated March 9, 2009, 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.

March 9, 2009

Ellis + Hinshaw CPA PLLC

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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

As described in Finding 2007-5 in the accompanying Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding reporting that are applicable to Hurricane Education Recovery Act Programs, CFDA # 84.938. Compliance with such requirements is necessary, in our opinion, for the school district to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Greenville Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as findings 2007-2 and 2007-3.

Internal Control Over Compliance

The management of the Greenville Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have

a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the school district's internal control over compliance.

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

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the district's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-3, 2007-4 and 2007-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the district's internal control. Of the significant deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-3 through 2007-5, we consider Finding 2007-5 to be a material weakness.

Greenville Public School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Greenville Public School District's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, others with the district, 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.



March 9, 2009

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, 2007, which collectively comprise Greenville Public School District's basic financial statements, and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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 no classroom supply funds carried over from previous years.

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

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

As required by 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 state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

4. 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>
Gaming Fund	\$ 13,533

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.

5. Finding

Section 37-9-31 requires principals to be bonded in the amount of \$25,000. One principal was not bonded.

Recommendation

Have all personnel bonded as required by statute.

School District's Response

This situation has been subsequently corrected.

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

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

March 9, 2009

Elliot Hurlberg CPA PLLC

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, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | 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: | Qualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness identified? | Yes |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Program name: Title I - Grants to Local Education Agencies
CFDA # 84.010 | |
| | b. Program name: Special Education Cluster
CFDA # 84.027
CFDA # 84.173 | |
| | c. Twenty-first Century Community Learning Center
Direct Program
Passed-through State Department of Education
Other Federal Assistance
CFDA #84.287 | |
| | d. Safe and Drug-free Schools and Communities National Programs:
CFDA # 84.184 | |
| | e. Hurricane Education Recovery Programs
CFDA # 84.938 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$388,443 |

GREENVILLE PUBLIC SCHOOL DISTRICT

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

- | | | |
|-----|---|-----|
| 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:

2007-1 Finding

- A. For years the land that various school buildings were built upon was not recorded in the fixed asset group of accounts at first and later as fixed assets under GASB 34 reporting rules. Management of the school district believed the land to be property of the city. A search of land titles revealed that the school district did in fact own the land.
- B. It was determined that there was a significant amount of fixed assets that were not being depreciated. When these assets were initially set up in the system, they were not coded correctly. This coding error caused the assets in question not to be depreciated.

Recommendation

There is probably no one in management that was around when the land was deeded to the district. However, procedures should be initiated to prevent reoccurrences of this situation.

The school district should develop a system that allows it by means of detail review and/or analytical review of depreciation expense to determine the reasonableness of this expense item.

2007-2 Finding

The school district did not reconcile payroll liabilities on the general ledger to vendor invoices on a timely basis. This resulted in a prior period adjustment.

Recommendation

The school district should assign an individual to reconcile payroll related liabilities to vendor invoices and contracts. Another person should be designated to review these reconciliations and make any necessary journal entries. In addition a deadline for completing this task should be set each month.

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Section 3: Federal Award Findings and Questioned Costs

Immaterial Non-Compliance and Reportable Internal Control Condition:

2007-3 Finding

	<u>Name</u>	<u>CFDA</u>	<u>Grantor/ Pass-through Grantor</u>
Program:	Special Education Cluster	84.027	Mississippi Department of Education
	Twenty-first Century Community Learning Centers	84.287	Mississippi Department of Education

Compliance Requirement: Cash Management

Criteria

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

Condition

The direct funded program Twenty-first Century Community Learning Centers had excess cash balances from January 2007 through May 2007. The average cash balance at the end of each month during this period was approximately \$389,971.

The Special Education Program - Grants to States also had excess cash draws. The average balance at the end of each month was \$1,073,573.

There was a cash management finding in the prior year.

Cause

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

Effect

This situation if not corrected could affect 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

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

2007-4 Finding

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

Compliance Requirement: Sub-recipient Monitoring

Criteria

The sub-recipient's activities should be monitored to provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal requirements.

Condition

The program was in the final stages and was winding down. There was evidence that the administrators made visits to sub-recipients to coordinate the program and the closing of the program. There is no evidence that audit reports were obtained or detail reviews of activities were made of the sub-recipients.

Cause

Internal controls were not in place or were ineffective to prevent this situation from occurring.

Effect

This situation could, if not corrected, prevent the district from being the lead district in another consortium.

Questioned Cost - None

Recommendation

Institute controls over monitoring of sub-recipients to prevent this from occurring in the future.

2007-5 Finding

	<u>Name</u>	<u>CFDA</u>	<u>Grantor/ Pass-through Grantor</u>
Program:	Hurricane Education Recovery Act	84.938	Mississippi Department of Education

GREENVILLE PUBLIC SCHOOL DISTRICT

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

Compliance Requirement: Reporting

Criteria

To submit accurate reports which may be used by the funding agency for the purpose of allocating program funding.

Condition

The state monitors questioned the accuracy of the number of displaced students for which the district was requesting reimbursement.

Cause

Hurricane Katrina caused a large number of people to be displaced. When school started many students from hurricane damaged areas enrolled in the district. These students stayed for various lengths of time. The money was sent to the District initially without much guidance as to how it was to be used. As time passed rules on how to use the money were established.

Effect

The state monitor has filed a request for repayment of funds.

Questioned Cost - \$292,647

Recommendation

Meet with representatives of the funding agency in order to resolve this situation.

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GREENVILLE PUBLIC SCHOOL DISTRICT

AUDITEES' CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR AUDIT FINDINGS

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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, 2007.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2007-1	A. Jamie Rutledge, CPA B. We will develop a system for checking depreciation calculations. The land recording appears to be a one time type of transaction and should not occur in the future. C. The controls will be implemented by December 15, 2008.
2007-2	A. Jamie Rutledge, CPA B. We will decide on how best to distribute these new duties to individuals. C. These controls will be in place by December 2008.
2007-3	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 December 31, 2008.
2007-4	A. Jamie Rutledge, CPA B. If we are lead school district in a consortium again we will develop procedures to do a better job of monitoring sub-recipients. C. When needed.
2007-5	A. Jamie Rutledge, CPA

- B. The money was sent to us before all rules for spending the money was finalized. We believe we spent the money within the initial guidelines which changed during the period.
- C. No date has been set to activate this plan.


Signature

BUSINESS MANAGER
Title



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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, 2007.

Finding

2006-1

This situation has been corrected.

2006-2

This situation is still in the process of being resolved.

Jamie Ruff
Signature
BUSINESS MANAGER
Title

GREENVILLE PUBLIC SCHOOL DISTRICT

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