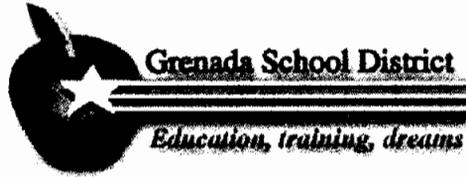




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Audited Financial Statements  
June 30, 2007

**J.E. Fortenberry, III, PC**  
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Grenada School District  
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FINANCIAL AUDIT REPORT

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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

Superintendent and School Board  
Grenada School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Grenada School District as of and for the year ended June 30, 2007, which collectively comprise the Grenada School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Grenada School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Grenada 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*, I have also issued my report dated December 14, 2007 on my consideration of the Grenada School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedules and corresponding notes on pages 45 through 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

**AICPA & MSCPA**

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Grenada 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



J.E. Fortenberry, III, PC  
December 14, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**GRENADA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of Grenada 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 notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to 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 \$3,012,824, which represents an 11% increase from fiscal year 2006. The increase is reflected primarily in an increase in state revenues. The Minimum Adequate Education Program was fully funded in fiscal year 2007.
- General revenues account for \$26,884,957, or 78% of all revenues. This amount was more (dollar-wise) than the general revenues for the year 2006, which consisted of \$25,331,647, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,590,686, or 22% of total revenues compared to \$6,939,898 in 2006.
- The district had \$31,462,819 in expenses, an amount that was down slightly when compared with the \$31,759,897 in expenses for the prior year; only \$7,590,686 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$26,884,957 were adequate to provide for these programs.
- Among major funds, the General Fund had \$26,757,693 in revenues and \$25,413,210 in expenditures. In 2006, the General Fund had \$25,479,813 in revenues and \$25,156,699 in expenditures. The General Fund's fund balance increased by \$862,759 primarily due to an increase in state revenues.
- Capital assets, net of accumulated depreciation, increased by \$360,566. This increase is due primarily to the donation by BancorpSouth Corporation of a central administrative office building located at 353 South Main Street, Grenada, Mississippi. The appraised value of the donated building at the time of acceptance by the Grenada School District Board of Education was \$932,624.
- Long-term debt decreased by \$729,150. This decrease is due to the fact that the annual payments were made to decrease existing debt.

## 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 18 and 19 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. 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 21 and 23, respectively.

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 20 and 22 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 Assets and Liabilities on page 24.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-44 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 45-51 of this report.

Additionally, a schedule of instructional, administrative and other expenditures - governmental funds will be found right after the schedule of federal awards, required by OMB Cir. A-133. These schedules can be found on pages 53 and 54 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$30,735,002 as of June 30, 2007.

By far the largest portion of the District's net assets (60%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. 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 for the fiscal year ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
<b>Assets</b>			
Current assets	\$ 12,824,418	10,916,211	17%
Capital assets, net	<u>24,975,061</u>	<u>24,614,495</u>	1%
<b>Total assets</b>	37,799,479	35,530,706	6%
<b>Liabilities</b>			
Current liabilities	769,327	904,228	-15%
Long-term liabilities	<u>6,295,150</u>	<u>6,904,300</u>	-9%
<b>Total liabilities</b>	7,064,477	7,808,528	-10%
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	18,360,061	17,254,495	6%
Restricted	9,165,052	8,104,703	13%
Unrestricted	<u>3,209,889</u>	<u>2,362,980</u>	36%
<b>Total Net Assets</b>	<u>\$ 30,735,002</u>	<u>27,722,178</u>	<u>11%</u>

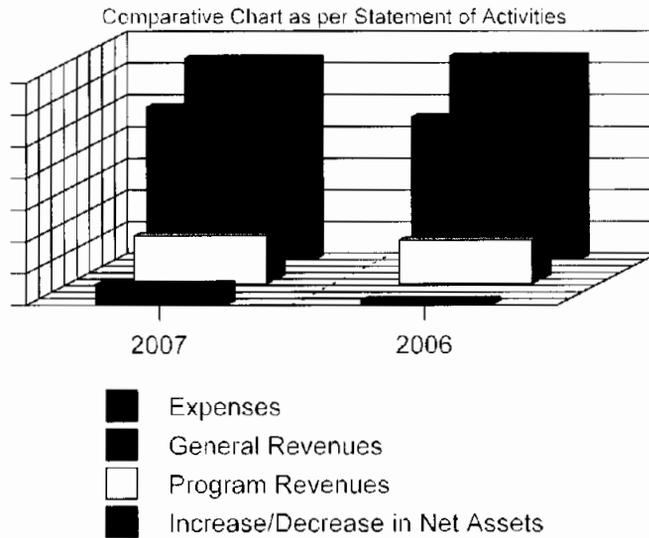
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The increase in current assets is represented primarily by cash and investments. This is the result of an increased level of funding from state sources.
- The increase in net capital assets is the result of the combined effect of fiscal year 2007 depreciation expense and the donation of a central administrative office building as described under financial highlights of this report.
- The decrease in long-term debt is a result of principal payments made during fiscal year

2007.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007 were \$34,475,643. The total cost of all programs and services was \$31,462,824. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Program Revenues:			
Charges for services	\$ 1,043,923	1,015,014	3%
Operating Grants and Contributions	5,587,782	5,924,884	-6%
Capital Grants and Contributions	<u>958,981</u>	<u>0</u>	
Total Program Revenues	7,590,686	6,939,898	9%
General Revenues:			
Property Taxes	6,207,759	6,211,131	0%
Unrestricted Grants and Contributions	19,973,663	18,557,488	8%
Unrestricted Investment Earnings	380,155	262,062	45%
Sixteenth Section Sources	256,864	222,960	15%
Other	<u>66,516</u>	<u>78,006</u>	-15%
Total General Revenues	26,884,957	25,331,647	6%
<b>Total Revenues</b>	<u><u>34,475,643</u></u>	<u><u>32,271,545</u></u>	7%
<b><u>Expenses</u></b>			
Instruction	19,331,772	19,442,264	-1%
Support services	9,945,487	10,180,369	-2%
Non-instructional	1,820,290	1,761,448	3%
Sixteenth Section	14,577	16,870	-14%
Interest on long-term liabilities	<u>350,693</u>	<u>358,946</u>	-2%
<b>Total expenses</b>	<u><u>31,462,819</u></u>	<u><u>31,759,897</u></u>	-1%
<b>Increase (Decrease) in net assets</b>	<u><u>3,012,824</u></u>	<u><u>511,648</u></u>	489%
<b>Net Assets, July 1</b>	<u><u>27,722,178</u></u>	<u><u>27,210,530</u></u>	2%
<b>Net Assets, June 30</b>	\$ <u><u>30,735,002</u></u>	<u><u>27,722,178</u></u>	11%



The following are explanations of significant changes in revenues and expenses:

- The increase in total revenue is primarily a result of an increased level of state funding.
- The increase in total expenses is primarily a result of an increase in salaries, bus fuel, and utility costs.

**Governmental activities.** The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each 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.

	2007	2007	2006	2006		Net
	Total	Net	Total	Net	Total	(Expense)
	Expenses	(Expense)	Expenses	(Expense)	Expense	Revenue
		Revenue		Revenue	Difference	Difference
Instruction	\$ 19,331,772	(15,945,913)	19,442,264	(15,635,176)	(110,492)	(310,736)
Support Services	9,945,487	(7,702,854)	10,180,369	(8,996,229)	(234,882)	1,293,375
Non-Instructional	1,820,290	123,495	1,761,448	173,263	58,842	(49,767)
Sixteenth Section	14,577	3,832	16,870	(2,911)	(2,293)	6,743
Interest on Long-Term Liabilities	350,693	(350,693)	358,946	(358,946)	(8,252)	8,252
	<u>\$ 31,462,819</u>	<u>(23,872,133)</u>	<u>31,759,897</u>	<u>(24,820,000)</u>	<u>(297,077)</u>	<u>947,867</u>

- Net cost of governmental activities, \$23,872,133, was financed by general revenue, which is made up of primarily property taxes, \$6,207,759, and state revenue, \$19,484,725. The increase in the 2007 net cost of governmental activities from 2006 is primarily a result of increased costs in salaries, bus fuel, and utilities.
- Investment earnings accounted for \$380,155 of funding.
- Sixteenth Section revenues, including timber sales, leases and investment earnings, accounted for \$256,864 of funding.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,648,637, an increase of \$1,889,144, due primarily to an increased level of state funding. \$7,525,811, or 59%, of the fund balance, constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved general funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. The remaining fund balance of \$5,122,826, or 41%, is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$862,759, a result of increased state funding. The fund balance of Other Governmental Funds reflected an immaterial increase.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

Revisions to the budget were made to reflect changes in personnel during the year. In addition, when the original budget was completed, several federal project allocations were estimated. As the actual allocations were made available, amendments were made to the budget.

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

required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2007, the District's total capital assets were \$36,519,082, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$1,143,337 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$11,544,021 and total depreciation expense for the year was \$855,117, resulting in total net capital assets of \$24,975,061.

Additional information of the District's capital assets can be found in Note 4 on page 37 of this report.

**Debt Administration.** At June 30, 2007, the District had \$6,800,150 in general obligation bonds and other long-term debt outstanding, of which \$505,000 is due within one year.

The District maintains a AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 38 of this report.

## **CURRENT ISSUES**

The Grenada District is financially stable and is proud of its community support of the public schools.

The Grenada School District has committed itself to financial excellence for many years. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting" and the "Certificate Recognizing Achievement in Fixed Asset Management", issued by the Office of the State Auditor, has been awarded to the school district each year it has been available. The District's system of financial planning, budgeting, and internal financial controls are well regarded.

The Grenada School District is sensitive to the effects of increased taxation upon the citizens of Grenada County. This is evident by the fact that the ad valorem taxation millage rate for operational purposes has ranged from 35.13 mills in the year 1994 to 38.19 mills in fiscal year 2007. This reflects an increase of only 3.06 mills in fourteen years. An even closer observance will reveal that the total ad valorem taxation millage rate, which includes debt service, has decreased by 1.45 mills during the same time.

The Grenada School District's enrollment at the end of the first month of the 2006-2007 school year was 4,753 students. This enrollment reflects a decrease of twelve (12) students over the first month of the 2005-2006 school year. The Grenada School District has taken into account this increase in both funding and staffing needs.

The Grenada School District plans to continue its sound management to meet the challenges of

the future.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Grenada School District, P. O. Box 1940, Grenada, MS 38901 .

FINANCIAL STATEMENTS

Grenada School District  
Statement of Net Assets  
June 30, 2007

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 9,286,981
Investments	2,249,688
Due from other governments	934,484
Inventories and prepaid items	61,322
Restricted assets	291,943
Capital assets, non-depreciable	
Land	148,900
Capital assets, net of accumulated depreciation	
Buildings	23,726,331
Improvements other than buildings	17,808
Mobile equipment	833,296
Furniture and equipment	248,726
<b>Total Assets</b>	<b>\$ <u>37,799,479</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 163,605
Deferred Revenue	12,176
Interest payable on long-term liabilities	88,546
Long-term liabilities, due within one year	
Capital related liabilities	505,000
Long-term liabilities, due beyond one year	
Capital related liabilities	6,110,000
Non-capital related liabilities	185,150
<b>Total Liabilities</b>	<b>\$ <u>7,064,477</u></b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 18,360,061
Restricted net assets:	
Expendable:	
School - based activities	3,900,152
Debt service	258,471
Capital improvements	4,473,146
Forestry improvements	91,880
Unemployment benefits	149,460
Non-expendable:	
Sixteenth section	291,943
Unrestricted	3,209,889
<b>Total Net Assets</b>	<b>\$ <u>30,735,002</u></b>

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

Grenada School District  
Statement of Activities  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 19,331,772	613,123	2,772,736	-	(15,945,913)
Support services	9,945,487	-	1,283,652	958,981	(7,702,854)
Non-instructional	1,820,290	412,391	1,531,394	-	123,495
Sixteenth section	14,577	18,409	-	-	3,832
Interest on long-term liabilities	350,693	-	-	-	(350,693)
<b>Total governmental activities</b>	<b>\$ 31,462,819</b>	<b>1,043,923</b>	<b>5,587,782</b>	<b>958,981</b>	<b>(23,872,133)</b>
General Revenues:					
Taxes:					
					5,676,224
					531,535
Unrestricted grants and contributions:					
					19,484,725
					488,938
					380,155
					256,864
					66,516
					<u>26,884,957</u>
					<u>3,012,824</u>
					<u>27,722,178</u>
					<u>\$ 30,735,002</u>

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

Grenada School District  
Balance Sheet - Governmental Funds  
June 30, 2007

	Major Funds					Other Governmental Funds	Total Governmental Funds
	District Maintenance Fund	Title I Fund	Title II Fund	Sixteenth Section Interest Fund	GHS Building Fund		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,767,342	-	-	2,885,215	2,355,163	1,346,244	9,353,964
Cash with fiscal agents	-	-	-	-	-	2,863	2,863
Investments	-	-	-	-	2,117,983	353,801	2,471,784
Due from other governments	480,122	51,506	96,345	-	-	306,512	934,485
Due from other funds	249,546	-	-	-	-	-	249,546
Inventories and prepaid items	-	-	-	-	-	61,322	61,322
<b>Total Assets</b>	<b>3,497,010</b>	<b>51,506</b>	<b>96,345</b>	<b>2,885,215</b>	<b>4,473,146</b>	<b>2,070,742</b>	<b>13,073,964</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	101,971	19,055	-	10,000	-	32,579	163,605
Due to other funds	-	23,647	96,345	-	-	129,554	249,546
Deferred revenue	-	8,803	-	-	-	3,373	12,176
<b>Total Liabilities</b>	<b>101,971</b>	<b>51,505</b>	<b>96,345</b>	<b>10,000</b>	<b>-</b>	<b>165,506</b>	<b>425,327</b>
<b>Fund Balances:</b>							
<b>Reserved for:</b>							
Inventory	-	-	-	-	-	61,322	61,322
Capital projects funds	-	-	-	-	4,473,146	-	4,473,146
Debt service funds	-	-	-	-	-	347,018	347,018
Forestry improvements	-	-	-	-	-	91,880	91,880
Unemployment benefits	-	-	-	-	-	149,460	149,460
<b>Unreserved:</b>							
<b>Undesignated, reported in:</b>							
General fund	3,395,039	-	-	-	-	-	3,395,039
Special Revenue funds	-	1	-	2,875,215	-	799,726	3,674,942
Permanent funds	-	-	-	-	-	455,830	455,830
<b>Total Fund Balances</b>	<b>3,395,039</b>	<b>1</b>	<b>-</b>	<b>2,875,215</b>	<b>4,473,146</b>	<b>1,905,236</b>	<b>12,648,637</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,497,010</b>	<b>51,506</b>	<b>96,345</b>	<b>2,885,215</b>	<b>4,473,146</b>	<b>2,070,742</b>	<b>13,073,964</b>

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

Grenada School District  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2007

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,648,637
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 \$11,544,020	24,975,061
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,800,150)
3. Governmental funds recognize interest on long term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(88,546)</u>
Total Net Assets - Governmental Activities	<u>\$ 30,735,002</u>

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

Grenada School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds				GHS Building Fund	Other Governmental Funds	Total Governmental Funds
	District Maintenance Fund	Title I Fund	Title II Fund	Sixteenth Section Interest Fund			
<b>Revenues:</b>							
Local sources	\$ 6,361,272	-	-	-	229,455	991,712	7,582,439
State sources	19,783,267	-	-	-	-	637,415	20,420,682
Federal sources	613,154	1,247,502	320,329	-	-	2,959,779	5,140,764
Sixteenth section sources	-	-	-	313,974	-	35,801	349,775
<b>Total Revenues</b>	<b>26,757,693</b>	<b>1,247,502</b>	<b>320,329</b>	<b>313,974</b>	<b>229,455</b>	<b>4,624,707</b>	<b>33,493,660</b>
<b>Expenditures:</b>							
Instruction	16,510,899	747,969	314,882	-	-	1,115,988	18,689,738
Support services	8,900,461	465,874	-	-	25,460	589,420	9,981,215
Non-instructional services	1,850	14,380	-	-	-	1,814,644	1,830,874
Sixteenth section	-	-	-	4,526	-	10,051	14,577
Debt service:							
Principal	-	-	-	-	-	3,080,000	3,080,000
Interest	-	-	-	-	-	321,892	321,892
Other	-	-	-	-	-	45,824	45,824
<b>Total Expenditures</b>	<b>25,413,210</b>	<b>1,228,223</b>	<b>314,882</b>	<b>4,526</b>	<b>25,460</b>	<b>6,977,819</b>	<b>33,964,120</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,344,483</b>	<b>19,279</b>	<b>5,447</b>	<b>309,448</b>	<b>203,995</b>	<b>(2,353,112)</b>	<b>(470,460)</b>
<b>Other Financing Sources (Uses):</b>							
Proceeds of refunding bonds	-	-	-	-	-	2,335,000	2,335,000
Sale of transportation equipment	120	-	-	-	-	-	120
Sale of other property	1,482	-	-	-	-	-	1,482
Operating transfers in	336,145	-	-	129,410	600,000	173,155	1,238,710
Other financing sources	-	-	-	-	-	23,002	23,002
Operating transfers out	(819,471)	(19,279)	(5,447)	(125,292)	-	(269,221)	(1,238,710)
<b>Total Other Financing Sources (Uses)</b>	<b>(481,724)</b>	<b>(19,279)</b>	<b>(5,447)</b>	<b>4,118</b>	<b>600,000</b>	<b>2,261,936</b>	<b>2,359,604</b>
<b>Net Change in Fund Balances</b>	<b>862,759</b>	<b>-</b>	<b>-</b>	<b>313,566</b>	<b>803,995</b>	<b>(91,176)</b>	<b>1,889,144</b>
<b>Fund Balances:</b>							
July 1, 2006	2,532,280	1	-	2,561,649	3,669,151	1,979,470	10,742,551
Increase (Decrease) in reserve for inventory	-	-	-	-	-	16,942	16,942
<b>June 30, 2007</b>	<b>\$ 3,395,039</b>	<b>1</b>	<b>-</b>	<b>2,875,215</b>	<b>4,473,146</b>	<b>1,996,412</b>	<b>12,648,637</b>

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

Grenada 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	\$ 1,889,144
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 asset purchase amounted to \$259,616 and the depreciation expense amounted to \$855,117.	(595,501)
2. Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	958,981
3. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities	(2,335,000)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	3,080,000
5. Expenses in Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated Absences	(15,850)
6. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognize interest as it accrues regardless of when it becomes due.	17,022
7. Proceeds from the sale of assets are reported in the governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the Statement of Activities	(1,602)
8. Gains and losses on sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities	(1,312)
9. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities	<u>16,942</u>
Change in Net Assets of Governmental Activities	\$ <u>3,012,824</u>

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

Grenada School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2007

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>372,065</u>
<b>Total Assets</b>	<u><u>372,065</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	298,860
Due to student clubs	<u>73,205</u>
<b>Total Liabilities</b>	<u><u>372,065</u></u>

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

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**Grenada School District**

Notes to the Financial Statements  
June 30, 2007

## Grenada 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 a "primary government." The school district is governed by a five member board which each member was elected by the citizens of each defined county district.

The Grenada School District 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 six-member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and quipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. See **Note 10**.

#### B. Basis of Presentation.

The school district's basic financial statement consist 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 reporting government as a whole. They include all the funds of the reporting entity except for the fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-

## **Grenada School District**

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

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 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.

### ***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. 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. 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 so have

## Grenada School District

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

been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Title I Fund - This is the school district's federal reimbursable fund that serves to fund remedial math and reading services to low-income, program eligible students.

Title II Fund - This is a federal fund used to pay salaries of elementary school teachers. The intent is to reduce the pupil to teacher ratio, thus producing a better educated student.

Sixteenth Section Interest Fund - This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

GHS Building Fund - This fund serves as the source by which major capital projects are accounted for.

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

Additionally the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

Capital Project 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.

## Grenada 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 result of operations.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government 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.

#### E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders, and contracts. Encumbrances outstanding at year-end are reported as designation 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 original maturities of three months or less. Cash and cash equivalents are valued at cost.

#### G. Investments.

The school district can invest its excess fund, as permitted by Section 29-3-113 Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 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

**Grenada School District**

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

have a maturity of greater than three months when acquired.

Investments are reported at fair value.

**H. Inventories and Prepaid Items.**

Donated inventories 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 cost 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 costs of such items are accounted for as expenditures in the period of acquisition.

**I. Capital Assets.**

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities 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 assets 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 scale details those thresholds.

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

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

## Grenada School District

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

### 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 (5)** for details).

### K. Interfund Transactions and Balances.

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

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

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

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

### 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, construction, 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

## Grenada School District

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

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 further split between 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 capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that 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.

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable, available financial resources.

### M. Property Taxes.

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

## Grenada School District

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

### 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 policy of the school district. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

### (2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or

## Grenada School District

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

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 Project Funds), bond 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 toward the General Fund.

#### Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$9,353,964, and \$372,065, respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents, \$9,286,981, and restricted assets, \$291,943. The restricted assets of \$291,943 represent the cash balance, cash with fiscal agents balance, and investment balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$11,009,764.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, 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. As of June 30, 2007, none of the district's bank balance of \$11,009,764 was exposed to custodial credit risk.

#### Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$2,863.

#### Investments.

As of June 30, 2007, the district had the following investments. All investments are in an internal investment pool.

**Grenada School District**

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

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Bank Horizon Treasury CLA	Less than 1	\$ 131,705	AAA
Merrill Lynch Federal Home Loan Mortgage Corp.– Callable notes	Less than 1	222,096	Not rated
Bancorpsouth Government Obligations	Less than 1	2,117,983	Not rated
Total Investments		\$ 2,471,784	

*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 Sections 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 investments choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party . The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments fo which this would apply.

*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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Major funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 249,546	\$ 0
Title I Fund	0	23,647
Title II Fund	0	96,345
Non-Major funds	0	129,554
Total Funds	\$249,546	\$249,546

**Grenada School District**

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

Interfund loans exist primarily to avoid a deficit cash balance in federal funds. The deficit exists because the school district must expend funds for products/services prior to requisition of federal dollars to pay for the products/services. 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>
Major funds:		
General Fund	\$336,145	\$ 819,471
Title I - A Basic FYE 2003	0	19,279
EHA - IDEA Part B Grant	0	5,447
Sixteenth Section Fund	129,410	125,292
School Building Fund	600,000	0
Non-major Funds	<u>173,155</u>	<u>269,221</u>
Total Funds	<u>\$1,238,710</u>	<u>\$1,238,710</u>

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

(4) Capital Assets.

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

	<u>Balance 7-1-2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Balance 6-30-2007</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 148,900				148,900
Construction in progress	<u>0</u>				<u>0</u>
Total non-depreciable capital assets	148,900	0	0	0	148,900
<u>Depreciable capital assets:</u>					
Buildings	31,191,921	932,624			32,124,545
Improvements other than buildings	29,678				29,678
Mobile equipment	2,768,733	215,265			2,983,998
Furniture and equipment	<u>1,236,513</u>	<u>70,708</u>	<u>75,260</u>		<u>1,231,961</u>
Total depreciable capital assets	<u>35,226,845</u>	<u>1,218,597</u>	<u>75,260</u>	<u>0</u>	<u>36,370,182</u>
<u>Less accumulated depreciation for:</u>					
Buildings	7,779,520	618,694			8,398,214
Improvements other than buildings	10,683	1,187			11,870
Mobile equipment	2,018,409	132,293			2,150,702
Furniture and equipment	952,638	102,943	72,346		983,235

**Grenada School District**

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

	Balance 7-1-2006	Additions	Retirements	Completed Construction	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 148,900				148,900
Construction in progress	0				0
Total non-depreciable capital assets	148,900	0	0	0	148,900
Total accumulated depreciation	<u>10,761,250</u>	<u>855,117</u>	<u>72,346</u>	<u>0</u>	<u>11,544,021</u>
Total depreciable capital assets, net	<u>24,465,595</u>	<u>363,480</u>	<u>2,914</u>	<u>0</u>	<u>24,826,161</u>
Governmental activities capital assets, net	<u>\$ 24,614,495</u>	<u>363,480</u>	<u>2,914</u>	<u>0</u>	<u>24,975,061</u>

Depreciation expense was charged to the following governmental functions:

Instructional services	\$ 627,772
Support services	165,082
Non-instructional	<u>62,263</u>
Total depreciation expense	<u>\$ 855,117</u>

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Adjustment	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds	\$ 3,410,000	0	405,000	0	3,005,000	425,000
B. Limited obligation bonds	2,600,000	2,335,000	2,600,000	0	2,335,000	0
C. Certificates of participation	1,350,000	0	75,000	0	1,275,000	80,000
D. Compensated absences payable	169,300	15,850	0	0	185,150	0
Total	<u>\$ 7,529,300</u>	<u>2,350,850</u>	<u>3,080,000</u>	<u>0</u>	<u>6,800,150</u>	<u>505,000</u>

**Grenada School District**

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

A. General obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
GOB refunding Series 1998	varies	09/98	09/12	\$4,575,000	\$3,005,000

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$ 425,000	126,905	551,905
2009	450,000	107,543	557,543
2010	485,000	86,618	571,618
2011	515,000	63,989	578,989
2012	545,000	39,738	584,738
2013	585,000	13,601	598,601
Total	\$ <u>3,005,000</u>	<u>438,394</u>	<u>3,443,394</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 2006. This debt will be retired from the 4031 Bond Retirement 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:

**Grenada School District**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bonds, Series 2006	var.	11/20/06	02/01/18	\$2,335,000	\$2,335,000

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

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2008	\$ 0	92,493	92,493
2009	120,000	90,093	210,093
2010	180,000	84,092	264,092
2011	185,000	76,793	261,793
2012	200,000	69,092	269,092
2013-2017	1,130,000	216,462	1,346,462
2018	<u>520,000</u>	<u>15,048</u>	<u>535,048</u>
Total	<u>\$ 2,335,000</u>	<u>644,073</u>	<u>2,979,073</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 the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi 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 4041 MAEP Bond Retirement Fund.

C. Certificates of participation payable.

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

**Grenada School District**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust Certificates, Series 1999	varies	6/1/1999	6/1/2019	\$1,800,000	\$1,275,000

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$ 80,000	61,069	141,069
2009	85,000	57,469	142,469
2010	90,000	53,559	143,559
2011	95,000	49,418	144,418
2012	100,000	45,025	145,025
2013-2017	560,000	151,640	711,640
2018-2019	265,000	20,000	285,000
Total	\$ <u>1,275,000</u>	<u>438,180</u>	<u>1,713,180</u>

This debt will be retired from the 4091 Capital Lease Retirement Fund.

E. Compensated Absences.

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 employee's salaries were paid.

(6) 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

## Grenada School District

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

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 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006, and 2005 were \$2,040,755, \$1,965,140, and \$1,777,074, respectively, which equaled the required contributions for each year.

(7) 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 <u>June 30,</u>	<u>Amount</u>
2008 \$	122,338
2009	88,181
2010	67,429
2011	50,635
2012	21,034
2013-2017	44,009
2018-2022	13,500
2023-2027	8,500
2028-2032	8,500
Thereafter	<u>20,400</u>
Total \$	<u><u>444,526</u></u>

## Grenada School District

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

### (8) 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 one community college and covers risks of loss arising from injuries to the members' employees. The Mississippi Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Act. If total claims during a year were to deplete the trust account, then the members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

### (9) Prior Year Defeasance of Debt.

In prior years, the Grenada School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2007, \$3,005,000 of bonds outstanding is considered defeased.

### (10) Trust Certificates.

A trust agreement dated June 1, 1999, was executed by and between the school district and BancorpSouth, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,800,000. Approximately \$28,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$1,772,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss.

## Grenada School District

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

Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

### (11) Litigation.

The school district is party to legal proceedings. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the school district, with respect to the proceedings.

REQUIRED SUPPLEMENTARY INFORMATION

**GRENADA 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
<b>Revenues:</b>					
Local sources	\$ 6,379,575	6,547,193	6,361,272	167,618	(185,921)
State sources	19,315,466	19,783,266	19,783,267	467,800	1
Federal sources	387,924	613,153	613,154	225,229	1
Total Revenues	<u>26,082,965</u>	<u>26,943,612</u>	<u>26,757,693</u>	<u>860,647</u>	<u>(185,919)</u>
<b>Expenditures:</b>					
Instruction	17,120,689	16,941,063	16,510,899	179,626	430,164
Support services	9,684,319	9,742,283	8,900,461	(57,964)	841,822
Noninstructional services	8,550	1,850	1,850	6,700	0
Total Expenditures	<u>26,813,558</u>	<u>26,685,196</u>	<u>25,413,210</u>	<u>128,362</u>	<u>1,271,986</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(730,593)</u>	<u>258,416</u>	<u>1,344,483</u>	<u>989,009</u>	<u>1,086,067</u>
<b>Other Financing Sources (Uses):</b>					
Sale of transportation equipment	-	120	120	120	0
Sale of property	-	1,482	1,482	1,482	0
Transfers in	866,415	338,201	336,145	(528,214)	(2,056)
Transfers out	(160,400)	(812,187)	(819,471)	(651,787)	(7,284)
Miscellaneous other financing uses	0	(16,445)		(16,445)	16,445
Total Other Financing Sources (Uses)	<u>706,015</u>	<u>(488,829)</u>	<u>(481,724)</u>	<u>(1,194,844)</u>	<u>7,105</u>
Net Change in Fund Balances	(24,578)	(230,413)	862,759	(205,835)	1,093,172
<b>Fund Balances:</b>					
July 1, 2006	<u>1,432,037</u>	<u>2,532,280</u>	<u>2,532,280</u>	<u>1,100,243</u>	<u>0</u>
June 30, 2007	<u>\$ 1,407,459</u>	<u>2,301,867</u>	<u>3,395,039</u>	<u>894,408</u>	<u>1,093,172</u>

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

**GRENADA SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I 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:					
Federal sources	<u>1,075,625</u>	<u>1,335,372</u>	<u>1,247,502</u>	<u>259,747</u>	<u>(87,870)</u>
Total Revenues	<u>1,075,625</u>	<u>1,335,372</u>	<u>1,247,502</u>	<u>259,747</u>	<u>(87,870)</u>
Expenditures:					
Instruction	672,732	762,283	747,969	(89,551)	14,314
Support services	383,807	538,973	465,874		73,099
Non-instructional services	<u>14,002</u>	<u>14,838</u>	<u>14,380</u>		<u>458</u>
Total Expenditures	<u>1,070,541</u>	<u>1,316,094</u>	<u>1,228,223</u>	<u>(89,551)</u>	<u>87,871</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,084</u>	<u>19,278</u>	<u>19,279</u>	<u>170,196</u>	<u>1</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(5,084)</u>	<u>(19,279)</u>	<u>(19,279)</u>	<u>(19,279)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(5,084)</u>	<u>(19,279)</u>	<u>(19,279)</u>	<u>19,279</u>	<u>-</u>
Net Change in Fund Balances	-	(1)	-	(1)	(1)
Fund Balances:					
July 1, 2006	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(1)</u>

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

**GRENADA SCHOOL DISTRICT**

## Budgetary Comparison Schedule

## Title II Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	322,940	320,329	320,329	(2,611)	-
<b>Total Revenues</b>	<u>322,940</u>	<u>320,329</u>	<u>320,329</u>	<u>(2,611)</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	317,448	314,882	314,882	2,566	-
<b>Total Expenditures</b>	<u>317,448</u>	<u>314,882</u>	<u>314,882</u>	<u>2,566</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues     Over Expenditures</b>	<u>5,492</u>	<u>5,447</u>	<u>5,447</u>	<u>(45)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers out	(5,492)	(5,447)	(5,447)	45	-
<b>Total Other Financing Sources (Uses)</b>	<u>(5,492)</u>	<u>(5,447)</u>	<u>(5,447)</u>	<u>45</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2006	-	-	-	-	-
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**GRENADA SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest 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:				
Sixteenth section sources	449,241	313,975	313,974	(135,266)	(1)
Total Revenues	449,241	313,975	313,974	(135,266)	(1)
Expenditures:					
Sixteenth section	9,566	4,527	4,526	5,039	1
Total Expenditures	9,566	4,527	4,526	5,039	1
Excess (Deficiency) of Revenues Over Expenditures	439,675	309,448	309,448	(130,227)	-
Other Financing Sources (Uses):					
Operating Transfers in	140,020	129,409	129,410	(10,611)	(1)
Operating Transfers out	(734,020)	(125,291)	(125,292)	608,729	1
Total Other Financing Sources (Uses)	(594,000)	4,118	4,118	598,118	-
Net Change in Fund Balances	(154,325)	313,566	313,566	(467,891)	-
Fund Balances:					
July 1, 2006	1,730,719	2,561,648	2,561,649	830,929	-
June 30, 2007	\$ 1,576,394	2,875,214	2,875,215	363,038	-

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Grenada 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, and variances between the original budget and the final budget.

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

**Grenada School District**

**Schedule 1**

**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 <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Noncash assistance:		
Food Donation	10.550	\$118,405
Child Nutrition Cluster:		
School Breakfast Program	10.553	318,615
National School Lunch Program	10.555	1,028,966
Fresh Fruit and Vegetable Program	10.582	135,723
Total child nutrition cluster		<u>1,483,304</u>
Total passed-through the MDE		<u>1,601,709</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>1,601,709</u>
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corp	12.xxx	62,652
Pass-through Grenada County Board of Supervisors		
Flood Control Project	12.106	34,594
Total U. S. Department of Defense		<u>97,246</u>
FEDERAL COMMUNICATIONS COMMISSION		
Administered through Universal Service Administrative Company		
The schools and libraries program of the Universal Service Fund	32.XXX	51,788
Total Federal Communications Commission		<u>51,788</u>
U. S. DEPARTMENT OF EDUCATION		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,247,501
Vocation Education - Basic Grant to States	84.048	8,992
Safe and Drug Free Schools and Communities - State Grants	84.186	67,381
State Grant for Innovative Programs	84.298	7,168
Education Technology State Grants	84.318	28,269
Rural education	84.358	130,845
Improving Teacher Quality - State Grants	84.367	320,329
Grants for state assessments and related activities	84.369	25,256
Total		<u>1,835,741</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	883,993
Special Education - Preschool Grants	84.173	44,796
Total special education cluster		<u>928,789</u>
Total passed-through the Mississippi Department of Education		<u>2,764,530</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>2,764,530</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$4,515,273</u>

NOTES TO SCHEDULE

- 1 This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used in the financial statements.
- 2 The expenditure amounts include transfers out.
- 3 The pass-through entities did not assign identifying numbers to the school district.

Grenada 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 Administration	School Administration	Other
Salaries and fringe benefits	\$ 24,809,063	18,832,829	888,361	1,508,277	3,579,596
Other	9,155,057	1,737,972	342,318	47,732	7,027,035
<b>Total</b>	<b>\$ 33,964,120</b>	<b>20,570,801</b>	<b>1,230,679</b>	<b>1,556,009</b>	<b>10,606,631</b>

Total number of students \* 4,187

Cost per student \$ 8.112 4,913 294 372 2,533

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

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

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

**School Administration** - includes expenditures for the following function: Support Services - School Administration (2400s)

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

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

**Note: includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line**

INTERNAL CONTROL AND COMPLIANCE REPORTS

**J.E. FORTENBERRY, III, PC**  
Certified Public Accountant

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

Superintendent and School Board  
Grenada School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Grenada School District as of and for the year ended June 30, 2007, which collectively comprise Grenada School District's basic financial statements and have issued my report thereon dated December 14, 2007. I conducted my 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 my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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.

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.

My 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 or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted a certain immaterial instance of noncompliance or other matters that I have reported to management of the school district in a separate letter dated December 14, 2007 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.



J.E. Fortenberry, III, PC  
December 14, 2007

Certified Public Accountant

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

INDEPENDENT AUDITOR'S 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  
Grenada School District

Compliance

I have audited the compliance of the Grenada 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 the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, the Grenada 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.

Internal Control Over Compliance

The management of the Grenada 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 my audit, I 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 my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance. A *control deficiency* in an entity'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 entity's ability to administer a federal programs 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 entity's internal control.

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 entity's internal control.

My consideration of the internal control over compliance 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 or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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



J.E. Fortenberry, III, PC  
December 14, 2007

Certified Public Accountant

**J.E. FORTENBERRY, III, PC**  
Certified Public Accountant

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

Superintendent and School Board  
Grenada School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Grenada School District as of and for the year ended June 30, 2007, which collectively comprise Grenada School District's basic financial statements and have issued my report thereon dated December 14, 2007. I conducted my 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)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures 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 \$10,342 of classroom supply funds carried over from previous years.

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

The results of our procedures 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 incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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, I do not express such an opinion

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

Finding

MS Code Section 37-7-13 requires that the district receive at least two written bids, or purchase

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items at state contract price, or the commodity must be purchased at or below state contract price, for purchases between \$3,501 and \$15,000. I noted one purchase in my testing of general disbursements that should have been purchased using the process listed above, but was not.

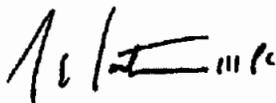
Recommendation:

I recommend the district comply with MS Code Section 31-7-13 regarding purchases between \$3,501 and \$15,000.

School District's Response:

The Grenada School District will comply with MS Code Section 31-7-13 regarding purchases between \$3,501 and \$15,000.

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.



J.E. Fortenberry, III, PC  
December 14, 2007

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Grenada 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? No.
3. Internal control over financial reporting:
  - (1) Material weaknesses identified? No.
  - (2) Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weaknesses identified? No.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA# 10.553  
CFDA# 10.555
  - b. Title I Grants to Local Educational Agencies.  
CFDA# 84.010
  - c. Special Education Cluster  
CFDA# 84.027  
CFDA# 84.173
8. The dollar threshold used to distinguish between Type A and Type B programs was: \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.