



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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GRENADA SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2004

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GRENADA SCHOOL DISTRICT

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GRENADA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

GRENADA SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Grenada School District

We 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, 2004, 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Grenada School District, as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

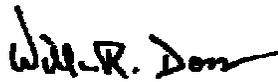
In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2005, on our consideration of the Grenada School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 24, 2005

GRENADA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

GRENADA SCHOOL DISTRICT

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GRENADA SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

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, 2004. 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.

This discussion and analysis is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,802,256, which represents 7% increase from fiscal year 2003. The increase is reflected primary in cash and other deposits and capital assets. The increase in cash and other deposits is due to an increased level of state funding under the Mississippi Adequate Education Program, to pay the increase in teacher salaries, as mandated by the Mississippi State Legislature. The increase in capital assets is the result of a completed building project during fiscal year 2004.
- General revenues account for \$23,347,597 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,384,232 or 21% of total revenues.
- The district had \$27,929,573 in expenses; only \$6,384,232 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$23,347,597 were adequate to provide for these programs.

- Among major funds, the General Fund had \$22,686,477 in revenues and \$22,271,556 in expenditures. The General Fund's fund balance decreased \$379,126 over the prior year. The decrease was due primarily to an increase in teacher salaries as mandated by the Mississippi State Legislature.
- Capital assets, net of accumulated depreciation, increased by \$696,910. This increase is due to the addition of buildings and other property as depreciable assets.
- Long-term debt decreased by \$727,152. This decrease is due to the fact that annual payments were made to decrease existing debt, as well as the fact that no new debt was issued during fiscal year 2004.

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.

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

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

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

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

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

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.

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.

Additionally, a schedule of expenditures of federal awards is included in this report as required by OMB Cir.A-133.

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 \$26,932,215 as of June 30, 2004.

By far the largest portion of the District's net assets (63%) reflects its investment in capital assets (e.g., land building, 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, 2004 and a comparison of the same information as presented at June 30, 2003.

	FISCAL YEAR 2004	FISCAL YEAR 2003	DIFFERENCE
Current assets	\$10,513,394	\$ 9,978,411	534,983
Capital assets, net	\$25,917,669	\$ 25,220,759	696,910
Total Assets	\$ 36,431,063	\$ 35,199,170	\$ 1,231,893
Current liabilities	\$403,178	\$246,389	156,789
Long-term debt outstanding	9,095,670	\$ 9,822,822	(727,152)
Total Liabilities	\$ 9,498,848	\$ 10,069,211	\$ (570,363)
Net assets:			
Invested in capital assets, net of related debt	17,002,669	16,369,238	633,431
Restricted	7,919,736	6,228,318	1,691,418
Unrestricted	2,009,810	2,532,403	(522,593)
Total Net Assets	\$ 26,932,215	\$ 25,129,959	\$ 1,802,256

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 other deposits. This is the result of an increased level of state funding, under the Mississippi Adequate Education Program, to pay increases in teacher salaries, as mandated by the Mississippi State Legislature.
- The increase in capital assets net is primarily the result of a completed building project less the fiscal year 2004 depreciation expense.
- The decrease in long-term debt is a result of principal payments made during fiscal year 2004.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2004 were \$29,731,829. The total cost of all programs and services was \$27,929,573. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004.

	FISCAL YEAR 2004	FISCAL YEAR 2003	DIFFERENCE
Revenues:			
Program revenues	\$6,384,232	\$20,411,387	(14,027,155)
General revenues	23,347,597	7,698,005	15,649,592
Total revenues	<u>\$ 29,731,829</u>	<u>\$ 28,109,392</u>	<u>\$ 1,622,437</u>
Expenses:			
Instruction	17,000,474	15,375,809	1,624,665
Support services	8,890,937	8,160,983	729,954
Non-instructional	1,544,710	1,567,685	(22,975)
Sixteenth Section	60,675	82,441	(21,766)
Interest on long-term liabilities	432,777	470,589	(37,812)
Total expenses	<u>27,929,573</u>	<u>25,657,507</u>	<u>2,272,066</u>
Increase in Net Assets	1,802,256	2,451,885	(649,629)

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

- The decrease in program revenues and the increase in general revenues is primarily the result of a change in revenue classification. In fiscal year 2003 state revenues, including Minimum Adequate Education Program funds, the largest funding source for public schools in Mississippi, was included under program revenues. However, for fiscal year 2004, they are classifieds as general revenues.
- The increase in total revenue is primarily a result of an increased level of state funding to pay increases in teacher salaries, as mandated by the Mississippi State Legislature.
- The increase in total expenses is primarily a result of an increase in teacher salaries, as mandated by the Mississippi State Legislature.

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

	Fiscal Year 2003 Total Expenses	Fiscal Year 2003 Net (Expense) Revenue	Fiscal Year 2004 Total Expenses	Fiscal Year 2004 Net (Expense) Revenue	Total Expense Difference	Net (Expense) Revenue Difference
Instruction	15,375,809	2,579,318	17,000,474	(12,824,846)	1,624,665	(15,404,164)
Support Services	8,160,983	(6,909,640)	8,890,937	(8,436,006)	729,954	(1,526,366)
Non-instructional	1,567,685	(438,083)	1,544,710	208,963	(22,975)	647,046
Sixteenth Section	82,441	(7,126)	60,675	(60,675)	(21,766)	(53,549)
Interest on long-term liabilities	470,589	(470,589)	432,777	(432,777)	(37,812)	37,812
Total Expenses	25,657,507	(5,246,120)	27,929,573	(21,545,341)	2,272,066	(16,299,221)

Net cost of governmental activities (\$21,545,341), was financed by general revenue, which is made up of primarily property taxes \$5,795,720 and state revenue \$16,146,957. The increase in net cost of governmental activities from fiscal year 2003 to fiscal year 2004 is primarily a result of a change in revenue classification. In fiscal year 2003 state revenues, including minimum adequate education program funds, the largest funding source for public schools in Mississippi, was classified as program revenues, whereas, in fiscal year 2004 these revenues are classified as general revenues.

- Investment earnings accounted for \$262,604 of funding.

Sixteenth Section Revenues, including timber sales, leases and investment earnings accounted for \$733,045 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 \$10,233,042 an increase of \$370,440 due primarily to an increased level of state funding under the Mississippi Adequate Education Program. \$2,190,480 or 22% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$8,042,562 or 78% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$379,126 a result of an increase in teacher salaries as mandated by the Mississippi State Legislature. The fund balance of Other Governmental Funds also reflected a decrease due primarily to an increase in teacher salaries as mandated by the Mississippi State Legislature.

BUDGETARY HIGHLIGHTS

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

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, 2004, the District's total capital assets were \$35,115,234 including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,428,434 from the previous year. Total accumulated depreciation as of June 30, 2004 was \$9,197,565 and total depreciation expense for the year was \$855,188, resulting in total net capital assets of \$25,917,669.

Additional information of the District's capital assets can be found in the Notes to the Financial Statements.

Debt Administration. At June 30, 2004, the District had \$9,095,670 in general obligation bonds and other long-term debt outstanding, of which \$755,000 is due within one year.

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in the notes to the Financial Statements.

CURRENT ISSUES

The Grenada School District is financially stable. The District 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 mileage rate for operational purposes has ranged from 35.13 mills in fiscal year 1994 to 35.57 mills in fiscal year 2004. This reflects an increase of only .44 mills in ten years. An even closer observance will reveal that the total ad valorem taxation millage rate, which includes debt service, has actually decreased by .21 mills during that same time.

The Grenada School District's enrollment at the end of the first month of the 2003-2004 school year was 4,719 students. This enrollment reflects an increase of seventy-three (73) students over the first month of the 2002-2003 school year. Since 1992, the school district's enrollment has increased by 612 students. 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, 1855 Jackson Avenue, Grenada, Mississippi 38901.

GRENADA SCHOOL DISTRICT

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GRENADA SCHOOL DISTRICT

FINANCIAL STATEMENTS

GRENADA SCHOOL DISTRICT

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GRENADA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 9,005,410
Due from other governments	885,730
Inventories and prepaid items	22,955
Restricted assets	599,299
Capital assets, net	<u>25,917,669</u>
 Total Assets	 <u>36,431,063</u>
Liabilities	
Accounts payable and accrued liabilities	246,057
Deferred revenue	34,295
Interest payable on long-term liabilities	122,826
Long-term liabilities, due within one year	
Capital related liabilities	755,000
Long-term liabilities, due beyond one year	
Capital related liabilities	8,160,000
Non-capital related liabilities	<u>180,670</u>
 Total Liabilities	 <u>9,498,848</u>
Net Assets	
Investment in capital assets, net of related debt	17,002,669
Restricted net assets:	
Expendable:	
School-based activities	2,716,104
Debt service	744,374
Capital improvements	3,800,000
Forestry improvements	112,957
Unemployment benefits	130,420
Non-expendable:	
Sixteenth section	415,881
Unrestricted	<u>2,009,810</u>
 Total Net Assets	 <u>\$ 26,932,215</u>

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, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 17,000,474	536,688	3,269,516	369,424	(12,824,846)
Support services	8,890,937		454,931		(8,436,006)
Non-instructional	1,544,710	410,651	1,343,022		208,963
Sixteenth section	60,675				(60,675)
Interest on long-term liabilities	432,777				(432,777)
Total Governmental Activities	\$ 27,929,573	947,339	5,067,469	369,424	(21,545,341)
General Revenues:					
Taxes:					
					5,120,876
					674,844
Unrestricted grants and contributions:					
					16,146,957
					311,247
					262,604
					733,045
					98,024
					<u>23,347,597</u>
					<u>1,802,256</u>
					<u>25,129,959</u>
					<u>\$ 26,932,215</u>

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

GRENADA SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2004

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund	Public School Building Fund	GHS Building Fund	Other Governmental Funds		
ASSETS								
Cash and cash equivalents	\$ 1,575,146	14,925	2,008,671		3,921,295	1,696,341	9,216,378	
Cash with fiscal agents						4,058	4,058	
Investments						384,273	384,273	
Due from other governments	393,401	50,797		92,356		349,176	885,730	
Due from other funds	308,951						308,951	
Inventories and prepaid items						22,955	22,955	
Total Assets	\$ 2,277,498	65,722	2,008,671	92,356	3,921,295	2,456,803	10,822,345	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 87,018	14,925	5,850		121,295	16,969	246,057	
Due to other funds		50,797		92,356		165,798	308,951	
Deferred revenue						34,295	34,295	
Total Liabilities	87,018	65,722	5,850	92,356	121,295	217,062	589,303	
Fund Balances:								
Reserved for:								
Inventory						22,955	22,955	
Debt Service						867,200	867,200	
Undesignated, reported in:								
General Fund	2,190,480						2,190,480	
Special Revenue Funds			2,002,821			933,705	2,936,526	
Capital Projects Funds					3,800,000		3,800,000	
Permanent Funds						415,881	415,881	
Total Fund Balances	2,190,480	0	2,002,821	0	3,800,000	2,239,741	10,233,042	
Total Liabilities and Fund Balances	\$ 2,277,498	65,722	2,008,671	92,356	3,921,295	2,456,803	10,822,345	

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, 2004

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,233,042
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$9,197,565.	25,917,669
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,095,670)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Activities recognizes interest as it accrues.	<u>(122,826)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 26,932,215</u></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, 2004

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund	Public School Building Fund	GHS Building Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 5,896,891			733	12,399	1,147,274	7,057,297
State sources	16,420,592			369,424		651,607	17,441,623
Federal sources	368,994	1,031,817				3,052,663	4,453,474
Sixteenth section sources			540,174			192,871	733,045
Total Revenues	22,686,477	1,031,817	540,174	370,157	12,399	5,044,415	29,685,439
Expenditures:							
Instruction	14,166,894	685,979				1,563,899	16,416,772
Support services	8,099,425	285,818				531,722	8,916,965
Noninstructional services	5,237	34,851				1,463,317	1,503,405
Sixteenth section			9,716			50,959	60,675
Facilities acquisition and construction				924,293	370,264		1,294,557
Debt service:							
Principal						720,000	720,000
Interest						436,851	436,851
Other						3,679	3,679
Total Expenditures	22,271,556	1,006,648	9,716	924,293	370,264	4,770,427	29,352,904
Excess (Deficiency) of Revenues over Expenditures	414,921	25,169	530,458	(554,136)	(357,865)	273,988	332,535
Other Financing Sources (Uses):							
Insurance loss recoveries	46,390						46,390
Sale of transportation equipment	2,048						2,048
Sale of other property	1,273						1,273
Operating transfers in	163,338		129,137		3,928,522	248,561	4,469,558
Operating transfers out	(1,007,096)	(25,169)	(3,059,570)			(377,723)	(4,469,558)
Total Other Financing Sources (Uses)	(794,047)	(25,169)	(2,930,433)	0	3,928,522	(129,162)	49,711
Net Change in Fund Balances	(379,126)	0	(2,399,975)	(554,136)	3,570,657	144,826	382,246
Fund Balances:							
July 1, 2003	2,569,606	0	4,402,796	554,136	229,343	2,106,721	9,862,602
Decrease in reserve for inventory	0	0	0	0	0	(11,806)	(11,806)
June 30, 2004	\$ 2,190,480	0	2,002,821	0	3,800,000	2,239,741	10,233,042

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

GRENADA SCHOOL DISTRICT

Exhibit D-1

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, 2004

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 382,246
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$1,587,773, and the depreciation expense amounted to \$855,188.	732,585
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	720,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	7,754
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(32,354)
5. 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.	(3,321)
6. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	(11,806)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>7,152</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,802,256</u>

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

GRENADA SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2004

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>1,199,639</u>
Total Assets	\$ <u><u>1,199,639</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,144,681
Due to student clubs	<u>54,958</u>
Total Liabilities	\$ <u><u>1,199,639</u></u>

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

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(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 to 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 equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. See Note 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 school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

GRENADA SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Title I 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.

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.

GRENADA SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

Public School Building Fund - This fund is used to account for special state revenue granted to the school district for capital improvements or construction.

GHS Building Fund - This fund is used to account for district funds received from local and sixteenth sources for building construction.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

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

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

GRENADA SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

GRENADA SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

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

Reserved for debt service - An account that represents 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.

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.

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

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

Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions was \$10,416,017, and the bank balance was \$11,261,574.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$4,058.

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered or for which the securities are held by the school district or its agent in the school district's name.

Category 2 - Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the school district's name.

Category 3 - Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the school district's name.

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Treasury bills	\$	182,173		182,173	182,173
U.S. Government agency securities		202,100		202,100	202,100
Subtotal	\$	<u>0</u>	<u>384,273</u>	<u>0</u>	<u>384,273</u>
Total Investments				\$ <u>384,273</u>	<u>384,273</u>

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Governmental Funds:		
General Fund	\$ 308,951	
Title I Fund		50,797
Public School Building Fund		92,356
Other governmental funds		<u>165,798</u>
Total	\$ <u>308,951</u>	<u>308,951</u>

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

B. Transfers In/Out.

	Transfer In	Transfers Out
Governmental Funds:		
General Fund	\$ 163,338	1,007,096
Title I Fund		25,169
Sixteenth Section Interest Fund	129,137	3,059,570
GHS Building Fund	3,928,522	
Other governmental funds	248,561	377,723
Total	\$ 4,469,558	4,469,558

(4) Capital Assets.

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

	Balance 7-1-2003	Additions	Retirements	Completed Construction	Balance 6-30-2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 118,900				118,900
Construction in progress	116,038	1,294,557		(1,410,595)	
Total non-depreciable capital assets	234,938	1,294,557	0	(1,410,595)	118,900
<u>Depreciable capital assets:</u>					
Buildings	29,837,587		56,261	1,410,595	31,191,921
Improvements other than buildings	29,678				29,678
Mobile equipment	2,604,954	154,075	97,408		2,661,621
Furniture and equipment	979,643	139,141	5,670		1,113,114
Total depreciable capital assets	33,451,862	293,216	159,339	1,410,595	34,996,334
<u>Less accumulated depreciation for:</u>					
Buildings	6,008,650	601,167	30,381		6,579,436
Improvements other than buildings	7,122	1,187			8,309
Mobile equipment	1,799,374	134,838	87,669		1,846,543
Furniture and equipment	650,895	117,996	5,614		763,277
Total accumulated depreciation	8,466,041	855,188	123,664	0	9,197,565
Total depreciable capital assets, net	24,985,821	(561,972)	35,675	1,410,595	25,798,769
Governmental activities capital assets, net	\$ 25,220,759	732,585	35,675	0	25,917,669

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 634,195
Support services	165,699
Non-instructional	55,294
 Total Depreciation Expense	 \$ 855,188

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 long-term liabilities and other obligations for governmental activities:

	Balance 7-1-2003	Additions	Reductions	Balance 6-30-2004	Amounts due within one year
A. General obligation bonds payable	\$ 4,470,000		335,000	4,135,000	350,000
B. Limited obligation bonds payable	2,985,000		120,000	2,865,000	130,000
C. Certificates of participation payable	1,560,000		65,000	1,495,000	70,000
D. Three mill notes payable	620,000		200,000	420,000	205,000
E. Compensated absences payable	187,822		7,152	180,670	
Total	\$ 9,822,822	0	727,152	9,095,670	755,000

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 1998	Varies	09-15-1998	09-01-2012	\$ 4,575,000	4,135,000
Total				\$ 4,575,000	4,135,000

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

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

	Year Ending	Principal	Interest	Total
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$	350,000	177,435	527,435
2006		375,000	161,935	536,935
2007		405,000	145,064	550,064
2008		425,000	126,905	551,905
2009		450,000	107,543	557,543
2010 - 2014		<u>2,130,000</u>	<u>203,946</u>	<u>2,333,946</u>
Total	\$	<u>4,135,000</u>	<u>922,828</u>	<u>5,057,828</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, 2004, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 2003. This debt will be retired from the 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds	4.99%	03-05-1998	02-01-2018	\$ <u>3,545,000</u>	<u>2,865,000</u>
Total				\$ <u>3,545,000</u>	<u>2,865,000</u>

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

	Year Ending	Principal	Interest	Total
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$	130,000	130,180	260,180
2006		135,000	122,627	257,627
2007		145,000	115,373	260,373
2008		150,000	108,665	258,665
2009		160,000	101,845	261,845
2010 - 2014		930,000	390,193	1,320,193
2015 - 2019		<u>1,215,000</u>	<u>139,265</u>	<u>1,354,265</u>
Total	\$	<u>2,865,000</u>	<u>1,108,148</u>	<u>3,973,148</u>

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

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

<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	06-01-1999	06-01-2019	\$ 1,800,000	1,495,000
Total				\$ <u>1,800,000</u>	<u>1,495,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 70,000	73,144	143,144
2006	75,000	68,944	143,944
2007	75,000	64,444	139,444
2008	80,000	61,069	141,069
2009	85,000	57,469	142,469
2010 - 2014	490,000	224,102	714,102
2015 - 2019	<u>620,000</u>	<u>95,540</u>	<u>715,540</u>
Total	\$ <u>1,495,000</u>	<u>644,712</u>	<u>2,139,712</u>

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

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

D. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill ten year notes, Series 1996A	Varies	07-01-1996	07-01-2006	\$ <u>1,795,000</u>	<u>420,000</u>
Total				\$ <u><u>1,795,000</u></u>	<u><u>420,000</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 205,000	20,795	225,795
2006	<u>215,000</u>	<u>10,750</u>	<u>225,750</u>
Total	\$ <u><u>420,000</u></u>	<u><u>31,545</u></u>	<u><u>451,545</u></u>

This debt will be retired from the Three Mill Ten Year Note Fund.

E. Compensated absences payable.

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

(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 statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$1,556,689, \$1,426,430 and \$1,310,212, respectively, which equaled the required contributions for each year.

GRENADA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(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 June 30	Amount
2005	\$ 115,412
2006	109,266
2007	92,534
2008	78,096
2009	31,267
2010 - 2014	50,285
2015 - 2019	22,838
2020 - 2024	8,500
2025 - 2029	8,500
Thereafter	<u>30,600</u>
Total	<u>\$ 547,298</u>

(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 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$300,000. For a claim exceeding \$300,000, MSBAWCT has insurance which will pay the excess up to \$1,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

GRENADA SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

(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, 2004, \$4,495,000 of bonds outstanding are defeased.

(10) Trust Certificates.

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

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

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

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

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

GRENADA SCHOOL DISTRICT

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GRENADA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GRENADA SCHOOL DISTRICT

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GRENADA SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,557,200	5,802,986	5,896,891	245,786	93,905
State sources	15,657,357	16,465,923	16,420,592	808,566	(45,331)
Federal sources	269,000	368,994	368,994	99,994	
Total Revenues	<u>21,483,557</u>	<u>22,637,903</u>	<u>22,686,477</u>	<u>1,154,346</u>	<u>48,574</u>
Expenditures:					
Instruction	12,875,531	14,189,939	14,166,894	(1,314,408)	23,045
Support services	8,271,855	8,143,001	8,099,425	128,854	43,576
Noninstructional services	6,904	5,237	5,237	1,667	
Total Expenditures	<u>21,154,290</u>	<u>22,338,177</u>	<u>22,271,556</u>	<u>(1,183,887)</u>	<u>66,621</u>
Excess (Deficiency) of Revenues over Expenditures	<u>329,267</u>	<u>299,726</u>	<u>414,921</u>	<u>(29,541)</u>	<u>115,195</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		46,390	46,390	46,390	
Sale of transportation equipment		2,048	2,048	2,048	
Sale of other property		1,273	1,273	1,273	
Operating transfers in	2,879,789	301,048	163,338	(2,578,741)	(137,710)
Operating transfers out	(3,347,948)	(1,145,066)	(1,007,096)	2,202,882	137,970
Total Other Financing Sources (Uses)	<u>(468,159)</u>	<u>(794,307)</u>	<u>(794,047)</u>	<u>(326,148)</u>	<u>260</u>
Net Change in Fund Balances	<u>(138,892)</u>	<u>(494,581)</u>	<u>(379,126)</u>	<u>(355,689)</u>	<u>115,455</u>
Fund Balances:					
July 1, 2003	<u>1,366,418</u>	<u>1,366,418</u>	<u>2,569,606</u>	<u>0</u>	<u>1,203,188</u>
June 30, 2004	<u>\$ 1,227,526</u>	<u>871,837</u>	<u>2,190,480</u>	<u>(355,689)</u>	<u>1,318,643</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, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,169,308	1,217,473	1,031,817	48,165	(185,656)
Total Revenues	<u>1,169,308</u>	<u>1,217,473</u>	<u>1,031,817</u>	<u>48,165</u>	<u>(185,656)</u>
Expenditures:					
Instruction	755,735	774,296	685,979	(18,561)	88,317
Support services	336,601	366,205	285,818	(29,604)	80,387
Noninstructional services	37,972	37,972	34,851		3,121
Total Expenditures	<u>1,130,308</u>	<u>1,178,473</u>	<u>1,006,648</u>	<u>(48,165)</u>	<u>171,825</u>
Excess (Deficiency) of Revenues over Expenditures	<u>39,000</u>	<u>39,000</u>	<u>25,169</u>	<u>0</u>	<u>(13,831)</u>
Other Financing Sources (Uses):					
Operating transfers out	(39,000)	(39,000)	(25,169)		13,831
Total Other Financing Sources (Uses)	<u>(39,000)</u>	<u>(39,000)</u>	<u>(25,169)</u>	<u>0</u>	<u>13,831</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2004	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 549,554	540,174	540,174	(9,380)	
Total Revenues	<u>549,554</u>	<u>540,174</u>	<u>540,174</u>	<u>(9,380)</u>	<u>0</u>
Expenditures:					
Sixteenth section	44,237	9,716	9,716	34,521	
Total Expenditures	<u>44,237</u>	<u>9,716</u>	<u>9,716</u>	<u>34,521</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>505,317</u>	<u>530,458</u>	<u>530,458</u>	<u>25,141</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers in	278,573	129,137	129,137	(149,436)	
Operating transfers out	(710,937)	(3,059,570)	(3,059,570)	(2,348,633)	
Total Other Financing Sources (Uses)	<u>(432,364)</u>	<u>(2,930,433)</u>	<u>(2,930,433)</u>	<u>(2,498,069)</u>	<u>0</u>
Net Change in Fund Balances	<u>72,953</u>	<u>(2,399,975)</u>	<u>(2,399,975)</u>	<u>(2,472,928)</u>	<u>0</u>
Fund Balances:					
July 1, 2003	<u>4,327,415</u>	<u>4,327,415</u>	<u>4,402,796</u>	<u>0</u>	<u>75,381</u>
June 30, 2004	\$ <u><u>4,400,368</u></u>	<u><u>1,927,440</u></u>	<u><u>2,002,821</u></u>	<u><u>(2,472,928)</u></u>	<u><u>75,381</u></u>

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

GRENADA SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2004

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

GRENADA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

GRENADA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>107,359</u>
Child nutrition cluster:		
School breakfast program	10.553	274,790
National school lunch program	10.555	874,628
Total child nutrition cluster		<u>1,149,418</u>
Total U.S. Department of Agriculture		<u>1,256,777</u>
<u>U.S. Department of Defense</u>		
Direct programs:		
Reserve officers' training corps	12.XXX	55,493
Flood control projects	12.106	25,003
Total		<u>80,496</u>
Total U.S. Department of Defense		<u>80,496</u>
<u>U.S. Department of Labor</u>		
Passed-through Mississippi Department of Education:		
Employment services and job training pilot and demonstration programs	17.249	12,211
Total passed-through Mississippi Department of Education		<u>12,211</u>
Total U.S. Department of Labor		<u>12,211</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult education - state grant program	84.002	194,208
Total		<u>194,208</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,754
Total		<u>1,754</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,031,817
Migrant education - state grant program	84.011	126,166
Vocational education - basic grants to states	84.048	53,987
Safe and drug-free schools and communities - state grants	84.186	34,177
Fund for the improvement of education	84.215	15,000
State grants for innovative programs	84.298	28,883
Education technology state grants	84.318	15,455
Rural education	84.358	122,547
Improving teacher quality - state grants	84.367	334,043
Total		<u>1,762,075</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Special education cluster:		
Special education - grants to states	84.027	748,262
Special education - preschool grants	84.173	35,738
Total		<u>784,000</u>
Total passed-through Mississippi Department of Education		<u>2,546,075</u>
Total U.S. Department of Education		<u>2,742,037</u>
 Total for All Federal Awards		 \$ <u><u>4,091,521</u></u>

NOTES TO SCHEDULE

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

GRENADA SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2004

<u>Expenditures</u>		<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$	21,239,504	14,658,276	1,982,476	4,598,752
Other		<u>8,113,400</u>	<u>1,758,496</u>	<u>369,381</u>	<u>5,985,523</u>
Total	\$	<u>29,352,904</u>	<u>16,416,772</u>	<u>2,351,857</u>	<u>10,584,275</u>
Total number of students		<u>4,666</u>			
Cost per student	\$	<u>6,291</u>	<u>3,518</u>	<u>504</u>	<u>2,268</u>

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

Instruction - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teacher aides and other classroom assistants of any type - all the 1000 functional codes.

Administrative - includes expenditures for the following functions: support services - general administration (2300s); support services - school administration (2400s); support services - business (2500s).

Other - includes all expenditure functions not included in instruction or administrative.

GRENADA SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

GRENADA SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Grenada School District

We 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, 2004, and have issued our report thereon dated January 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

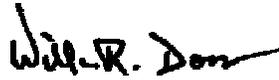
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 24, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

We 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, 2004. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, 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, 2004.

Internal Control Over Compliance

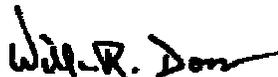
The management of the Grenada School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 24, 2005

GRENADA SCHOOL DISTRICT

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

GRENADA SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Grenada School District

We 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, 2004, and have issued our report thereon dated January 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

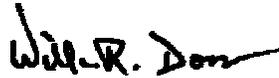
The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$9,698 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 24, 2005

GRENADA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GRENADA SCHOOL DISTRICT

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GRENADA SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

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: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Title I - grants to local educational agencies
CFDA #84.010 | |
| | b. Special education cluster
CFDA #84.027
CFDA#84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

GRENADA SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

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.