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**HANCOCK COUNTY SCHOOL DISTRICT**

Audited Financial Statements  
For the Year Ended June 30, 2005

HANCOCK COUNTY SCHOOL DISTRICT

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Scotty McDaniel, CPA

MEMBER  
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Accountants

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

July 28, 2006

Superintendent and School Board  
Hancock County School District

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

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

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

In accordance with *Government Auditing Standards*, We have also issued our report dated July 28, 2006, on our consideration of the Hancock County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages (3) through (10) and the Budgetary Comparison Schedule and corresponding notes on pages (35) through (36) 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 it.

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

*McDaniel CPA Firm*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

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

The District is governed by the Board of Education that consists of five members. The Board has responsibility for setting policies for operation of the District and has full control of the distribution, allotment and disbursement of all revenues provided for its support and operation.

In addition, the Board is responsible for organizing the schools of the District; introducing special subjects for instruction; serving as custodian of school property; erecting, repairing and equipping school facilities and improvements; maintaining pupil discipline; carrying out public health programs such as vaccination requirements; regulating use of the schools by the public; prescribing rules and regulations for its own government and government of the schools; maintaining and operating the schools under its control for the time required by law; enforcing in the schools the courses of study and use of textbooks prescribed by law; making orders directed to the superintendent for the issuance of pay certificates for lawful purposes on any available funds of the District; providing and regulating athletic programs and other school activities; and performing other duties prescribed by law.

The District's enrollment for the 2004-2005 school year was 4238. The District operated four elementary schools, one middle school, one high school and one vocational center.

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

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$1,813,595, which represents 12.00% increase from fiscal year 2004.
- General revenues account for \$22,883,871 in revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,224,891 of revenues.
- The District had \$29,237,158 in expenses; only \$8,224,891 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,883,871 were adequate to provide for these programs.
- Among major funds, the General Fund had \$22,514,621 in revenues and \$21,315,943 in expenditures. The General Fund's fund balance increased \$242,711 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$709,795.
- Long-term debt decreased by \$1,726,725.

**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.

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

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 11 - 12 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively.

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

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 17.

**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 18 -34 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 35 - 36 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 37 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 \$16,934,212 as of June 30, 2005.

By far the largest portion of the District's net assets (69.67%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in, 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.

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

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

Condensed Statement of Net Assets

	<u>2005</u>	<u>2004</u>	<u>Total Percentage Change 2005-2004</u>
Current Assets	6,484,980	4,942,772	31.20%
Capital Assets, Net	34,328,303	35,038,098	-2.03%
Total Assets	<u>40,813,283</u>	<u>39,980,870</u>	<u>2.08%</u>
Current Liabilities	3,021,637	2,146,794	40.75%
Long-term debt outstanding	20,857,434	22,713,459	-8.17%
Total Liabilities	<u>23,879,071</u>	<u>24,860,253</u>	<u>-3.95%</u>
Net Assets:			
Invested in capital assets, net of related debt	11,806,076	10,771,199	9.61%
Restricted	4,009,331	2,990,988	34.05%
Unrestricted	1,118,805	1,358,430	-17.64%
Total Net Assets	<u>16,934,212</u>	<u>15,120,617</u>	<u>11.99%</u>

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

- The principal retirement of \$15,926,725 of long-term debt.
- The addition of \$14,200,000 bond issue.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 20, 2005 were \$31,108,762. The total cost of all programs and services was \$29,237,158. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

Changes in Net Assets

	<u>2005</u>	<u>2004</u>	<u>Total Percentage Change 2005-2004</u>
Revenues:			
Program Revenues	8,224,891	10,755,242	-23.53%
General Revenues	22,883,871	19,273,267	18.73%
Total Revenues	<u>31,108,762</u>	<u>30,028,509</u>	<u>3.60%</u>
Expenses			
Instruction	16,701,349	15,838,911	5.45%
Support Services	9,509,061	9,811,574	-3.08%
Non-instructional	1,872,852	1,828,648	2.42%
Sixteenth Section	5,457	56,869	-90.40%
Interest in long-term liabilities	1,147,193	1,205,135	-4.81%
Other Uses	1,246	-	100.00%
Total Expenses	<u>29,237,158</u>	<u>28,741,137</u>	<u>1.73%</u>
Increase in Net Assets	<u>1,871,604</u>	<u>1,287,372</u>	<u>45.38%</u>

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

**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.

Net Cost of Governmental Activities

	<u>Total Expenses</u>			<u>Net (Expense) Revenue</u>		<u>Total Percentage Change 2005-2004</u>
	<u>2005</u>	<u>2004</u>	<u>Total Percentage Change 2004-2005</u>	<u>2005</u>	<u>2004</u>	
Instruction	16,701,349	15,838,911	5.45%	(12,438,714)	(9,716,883)	28.01%
Support Services	9,509,061	9,811,574	-3.08%	(7,838,674)	(7,548,494)	3.84%
Non-instructional	1,872,852	1,828,648	2.42%	419,017	541,486	-22.62%
Sixteenth Section	5,457	56,869	-90.40%	(5,457)	(56,869)	-90.40%
Interest in long-term liabilities	1,147,193	1,205,135	-4.81%	(1,147,193)	(1,205,135)	-4.81%
Other uses	1,246	-	100.00%	(1,246)	-	100.00%
Total	<u>29,237,158</u>	<u>28,741,137</u>		<u>(21,012,267)</u>	<u>(17,985,895)</u>	

- Net cost of governmental activities (\$21,012,267), was financed by general revenue, which is made up of primarily property taxes \$10,339,746 and state revenue \$12,025,682.
- Investment earnings accounted for \$150,898 of funding.

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,839,866, an increase of \$942,311. \$3,539,733 of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$ 2,300,133 is reserved or designated to indicate that it is not available for spending because it has already been committed.

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

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 \$242,711. The fund balance of Other Governmental Funds showed an increase of \$ 664,241.

### **BUDGETARY HIGHLIGHTS**

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

- Budget amounts for revenue from state sources was decreased to deficit funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature.
- Budgeted amounts for support services expenditures were decreased due primarily to positions not being filled.

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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets were \$47,368,876, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$501,967 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$13,040,573 and total depreciation expense for the year was \$1,211,762, resulting in total net assets of \$34,328,303.

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

**Debt Administration.** At June 30, 2005, the District had \$22,850,831 in general obligation bonds and other long-term debt outstanding, of which \$1,993,397 is due within one year.

The District maintains an A2 bond rating.

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

**HANCOCK COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

**CURRENT ISSUES**

The Hancock County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The tax base has continued to increase over the past few years. New home construction and new business properties have abled the district to maintain a tax millage. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase at least 50 students. The budget for the next fiscal year has taken into account this addition in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Hancock County School District, 17304 Hwy. 603, Kiln, MS, 39556.

**BASIC FINANCIAL STATEMENTS**

HANCOCK COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

	<u>Primary Government</u> Governmental Activities
<b>Assets:</b>	
Cash and cash equivalents (Note 2)	\$ 4,975,828
Cash with fiscal agents (Note 2)	157,449
Due from other governments	934,150
Other receivables, net	8,436
Inventories and prepaid items	33,650
Restricted assets	375,467
Capital assets, net (Note 4)	34,328,303
Total Assets	<u>40,813,283</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	645,114
Interest payable on long-term liabilities	383,126
Long-term liabilities (Due within one year):(Note 5)	
Capital related liabilities	1,932,812
Non-capital related liabilities	60,585
Long-term liabilities (Due beyond one year):(Note 5)	
Capital related liabilities	20,589,415
Non-capital related liabilities	268,019
Total Liabilities	<u>23,879,071</u>
<b>Net Assets:</b>	
Investment in capital assets (net of related debt)	11,806,076
Restricted net assets:	
Expendable:	
School-based activities	557,318
Debt service	1,212,102
Capital improvements	1,571,949
Forestry improvements	17,813
Unemployment benefits	103,731
Non-expendable:	
Sixteenth section	546,418
Unrestricted	1,118,805
Total Net Assets	<u>\$ 16,934,212</u>

**HANCOCK COUNTY SCHOOL DISTRICT**  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Program Revenues			Charges For Services	Expenses	Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities			
Primary Government: Governmental Activities:						
Instruction	\$ 16,701,349	261,734	4,000,901		\$ (12,438,714)	
Support Services	9,509,061	84,770	1,452,377	133,240	(7,838,674)	
Non-instructional	1,872,852	457,600	1,834,269		419,017	
Sixteenth section	5,457				(5,457)	
Interest on long-term liabilities	1,147,193				(1,147,193)	
Other uses	1,246				(1,246)	
Total governmental activities	\$ 29,237,158	804,104	7,287,547	133,240	(21,012,267)	
General Revenues:						
Taxes:						
General purpose levies					7,898,979	
Debt purpose levies					2,440,767	
Unrestricted grants and contributions:						
State					12,025,682	
Federal					63,820	
Unrestricted investment earnings					150,898	
Sixteenth section sources					107,915	
Other					195,810	
Total General Revenues					22,883,871	
Change in Net Assets					1,871,604	
Net Assets - Beginning					15,120,617	
Prior period adjustment					(58,009)	
Net Assets-Beginning - Restated					15,062,608	
Net Assets - Ending					\$ 16,934,212	

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

**HANCOCK COUNTY SCHOOL DISTRICT**  
 Balance Sheet - Governmental Funds  
 June 30, 2005

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Bond I & S 97 Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents (Note2)	\$ 2,192,780	1,114,766	2,043,749	\$ 5,351,295
Cash with fiscal agents (Note 2)			157,449	157,449
Due from other government	508,051	53,102	372,997	934,150
Other receivables, net			9,933	9,933
Due from other funds (Note 3)	430,276		9,871	440,147
Advance to other funds (Note 3)			161,950	161,950
Inventories and prepaid items			33,650	33,650
<b>Total Assets</b>	<b>3,131,107</b>	<b>1,167,868</b>	<b>2,789,599</b>	<b>7,088,574</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	599,543		47,068	646,611
Due to other funds (Note 3)	13,557	89,000	337,590	440,147
Advances from other funds (Note 3)	161,950			161,950
<b>Total Liabilities</b>	<b>775,050</b>	<b>89,000</b>	<b>384,658</b>	<b>1,248,708</b>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Advances			161,950	161,950
Inventory			33,650	33,650
Debt service		1,078,868	516,359	1,595,227
Unemployment benefits			103,733	103,733
Forestry improvement purposes			17,813	17,813
Permanent fund purposes			546,418	546,418
<b>Unreserved:</b>				
<b>Designated, reported in:</b>				
Capital projects	920,210			920,210
<b>Undesignated, reported in:</b>				
General Fund	1,435,847			1,435,847
Special Revenue funds			361,718	361,718
Capital project funds			663,300	663,300
<b>Total Fund Balances</b>	<b>2,356,057</b>	<b>1,078,868</b>	<b>2,404,941</b>	<b>5,839,866</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,131,107</b>	<b>1,167,868</b>	<b>2,789,599</b>	<b>\$ 7,088,574</b>

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

HANCOCK COUNTY SCHOOL DISTRICT

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

Exhibit C-1

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	<u>Amount</u>
Total fund balance - governmental funds	\$ 5,839,866
Amount reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 13,040,573.	34,328,303
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(22,850,831)
3. Interest payable on long-term liabilities	(383,126)
Total net assets - governmental activities	<u>\$ 16,934,212</u>

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

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Bond I & S 97 Fund	Other Governmental Funds	
<b>Revenues:</b>				
Local sources	\$ 8,369,432	1,673,460	1,426,949	\$ 11,469,841
State sources	14,030,490		1,916,953	15,947,443
Federal sources	114,699		3,448,146	3,562,845
Sixteenth section sources			122,266	122,266
<b>Total Revenues</b>	<b>22,514,621</b>	<b>1,673,460</b>	<b>6,914,314</b>	<b>31,102,395</b>
<b>Expenditures:</b>				
Instruction	13,228,602		2,491,143	15,719,745
Support services	7,923,834		1,469,541	9,393,375
Noninstructional services	61,765		1,735,819	1,797,584
Sixteenth section			5,457	5,457
Facilities acquisition and construction	37,562		221,523	259,085
Debt service:				
Principal	50,101	14,900,000	963,895	15,913,996
Interest	14,079	827,022	313,621	1,154,722
Other		110,022		110,022
<b>Total Expenditures</b>	<b>21,315,943</b>	<b>15,837,044</b>	<b>7,200,999</b>	<b>44,353,986</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,198,678</b>	<b>(14,163,584)</b>	<b>(286,685)</b>	<b>(13,251,591)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds		14,200,000		14,200,000
Insurance loss recoveries	6,369			6,369
Operating transfers in	1,375,584		1,210,836	2,586,420
Operating transfers out	(2,337,920)		(248,500)	(2,586,420)
Other financing uses		(1,057)	(2,411)	(3,468)
<b>Total Other Financing Sources (Uses)</b>	<b>(955,967)</b>	<b>14,198,943</b>	<b>959,925</b>	<b>14,202,901</b>
<b>Net change in fund balances</b>	<b>242,711</b>	<b>35,359</b>	<b>673,240</b>	<b>951,310</b>
<b>Fund Balances:</b>				
July 1, 2004	2,113,346	1,043,509	1,740,700	4,897,555
Prior period adjustments	-	-	-	-
July 1, 2004 as restated	2,113,346	1,043,509	1,740,700	4,897,555
Increase (Decrease) in reserve for inventory			(8,999)	(8,999)
<b>June 30, 2005</b>	<b>\$ 2,356,057</b>	<b>1,078,868</b>	<b>2,404,941</b>	<b>\$ 5,839,866</b>

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

**HANCOCK COUNTY SCHOOL DISTRICT**  
 Reconciliation of Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ 951,310
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while the governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$ 501,967 and the depreciation expense amounted to \$ 1,211,762.	(709,795)
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activity. (Note 5)	(14,200,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5)	15,913,996
4. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences decreases	12,729
Accrued interest on debt decreases	286,490
Accrued interest on debt increases	(374,127)
5. An increase(+)/decrease(-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	
Decrease in Reserve for Inventory (-)	(8,999)
	<u>\$ 1,871,604</u>

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

**HANCOCK COUNTY SCHOOL DISTRICT**  
Statement of Net Assets - Fiduciary Funds  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 73,446
<b>Total Assets</b>	<u><u>73,446</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	-
Due to other governments	3,192
Due to student clubs	70,254
<b>Total Liabilities</b>	<u><u>\$ 73,446</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

# HANCOCK COUNTY SCHOOL DISTRICT

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

## (1) Summary of Significant Accounting Policies.

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

### A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a 5 member board which each member was elected by the citizens of each defined county district.

### 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.

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.

# HANCOCK COUNTY SCHOOL DISTRICT

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

## C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

**Bond I & S 97 Fund** - This fund is used to accumulated funds and pay for outstanding debt of the district.

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

Additionally the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

# HANCOCK COUNTY SCHOOL DISTRICT

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

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

### FIDUCIARY FUNDS

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Government Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 1990 issued by the U.S. Department of Education.

#### E. Encumbrances.

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

#### F. Cash and Cash Equivalents.

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

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.

Investments are reported at fair value.

#### H. Inventories and Prepaid Items.

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

**HANCOCK COUNTY SCHOOL DISTRICT**

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

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

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

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 column in the government-wide financial statements.

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

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

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

	Capitalization <u>Policy</u>	Estimated <u>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:

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 loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve

## HANCOCK COUNTY SCHOOL DISTRICT

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

account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

#### L. Equity Classifications.

##### *Government-Wide Financial Statements:*

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

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

##### *Fund Financial Statements:*

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

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

Reserved for advances – An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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.

## HANCOCK COUNTY SCHOOL DISTRICT

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

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.

Reserved for permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

### 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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

### (1-A) Changes in Accounting Standards.

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

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

The collateral for public entities' deposits in financial institutions is now 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

**HANCOCK COUNTY SCHOOL DISTRICT**

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

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 reported in the governmental funds and fiduciary funds was \$ 5,508,744, and \$ 73,446, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$ 4,975,828 and Restricted Assets \$ 375,467. The Restricted assets represents the cash balance of the 16<sup>th</sup> section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$ 7,502,493.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$ 7,502,493 was exposed to custodial credit risk.

**Cash with Fiscal Agents.**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$ 157,449.

**(3) Interfund Transactions and Balances.**

The following is a summary of interfund transactions and balances:

**A. Due From / To Other Funds:**

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 430,276	13,557
Bond I & S 97 fund	-	89,000
Other governmental funds	9,871	337,590
Total	<u>\$ 440,147</u>	<u>440,147</u>

The purpose of interfund loans was to cover federal funds not received prior to year-end.

**HANCOCK COUNTY SCHOOL DISTRICT**

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

**B. Advances To/From Other Funds:**

	Advances <u>To</u>	Advances <u>From</u>
Governmental Funds:		
General fund	\$ -	161,950
Other governmental funds	161,950	
Total	<u>\$ 161,950</u>	<u>161,950</u>

Note: The sixteenth section principal loans payable is not reflected on the statement of net assets because these funds were borrowed by the General Fund from the sixteenth section trust fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth section principal loans payable.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 41,825	6,838	\$ 48,663
2007	32,825	5,165	37,990
2008	21,825	3,492	25,317
2009	21,825	2,619	24,444
2010	21,825	1,746	23,571
2011-2015	21,825	873	22,698
Total	<u>\$ 161,950</u>	<u>20,733</u>	<u>\$ 182,683</u>

**HANCOCK COUNTY SCHOOL DISTRICT**

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

C. Transfers In/Out.

	Transfers <u>In</u>	Transfers <u>Out</u>
Governmental Funds:		
General fund	1,375,584	2,337,920
Other governmental funds	1,210,836	248,500
Total	<u>\$ 2,586,420</u>	<u>2,586,420</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) **Capital Assets.**

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

**HANCOCK COUNTY SCHOOL DISTRICT**

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

	<u>Balance</u> <u>7/1/2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/2005</u>
<u>Non-depreciable capital</u>						
Land	\$ 483,495					\$ 483,495
Construction in progress	1,026,002			(1,026,002)		-
<b>Total non-depreciable</b>	<b>1,509,497</b>	<b>-</b>	<b>-</b>	<b>(1,026,002)</b>	<b>-</b>	<b>483,495</b>
<u>Depreciable capital assets</u>						
Buildings	38,810,862	203,478		1,026,002		40,040,342
Improvements other than buildings	1,944,744	47,589				1,992,333
Mobile equipment	3,518,135	233,198				3,751,333
Furniture and equipment	1,083,671	17,702				1,101,373
<b>Total depreciable capital</b>	<b>45,357,412</b>	<b>501,967</b>	<b>-</b>	<b>1,026,002</b>	<b>-</b>	<b>46,885,381</b>
<u>Less accumulated:</u>						
Buildings	8,499,527	790,822				9,290,349
Improvements other than buildings	380,111	78,173				458,284
Mobile equipment	2,070,736	234,430				2,305,166
Furniture and equipment	878,437	108,337				986,774
<b>Total accumulated depreciation</b>	<b>11,828,811</b>	<b>1,211,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,040,573</b>
<b>Total depreciable capital assets, net</b>	<b>33,528,601</b>	<b>(709,795)</b>	<b>-</b>	<b>1,026,002</b>	<b>-</b>	<b>33,844,808</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 35,038,098</b>	<b>(709,795)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 34,328,303</b>

**HANCOCK COUNTY SCHOOL DISTRICT**

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	769,093
Support Services	366,772
Non-instructional	75,897
Total depreciation expense	<u><u>1,211,762</u></u>

(5) **Long-term liabilities.**

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

	<u>Balance 7-1-2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2005</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 18,760,000	14,200,000	(15,545,000)	17,415,000	\$ 1,605,000
B. Limited obligation bonds payable	5,375,000		(260,000)	5,115,000	275,000
D. Shortfall notes payable	182,000		(58,895)	123,105	60,585
E. Obligations under energy efficiency lease	102,913		(50,101)	52,812	52,812
F. Compensated absences payable	157,643		(12,729)	144,914	
Total	<u>\$ 24,577,556</u>	<u>14,200,000</u>	<u>(15,926,725)</u>	<u>22,850,831</u>	<u>\$ 1,993,397</u>

**HANCOCK COUNTY SCHOOL DISTRICT**

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

A. General obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds Series 1998	5.05 - 5.5%	10/15/1997	10/15/2014	\$ 20,000,000	1,700,000
General obligation refunding bonds, Series 2004	2.00-5.00%	10/28/2004	10/15/2014	14,200,000	14,075,000
General obligation school refinancing bonds, Series 2002	2.66%	11/25/2002	11/25/2007	3,205,000	1,640,000
Total				<u>\$ 37,405,000</u>	<u>17,415,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1,605,000	1,353,156	2,958,156
2007	2,660,000	941,954	2,285,886
2008	2,130,000	528,132	2,658,132
2009	1,895,000	469,325	2,364,325
2010	2,010,000	374,575	2,384,575
2011-2015	7,115,000	626,475	7,741,475
Total	<u>\$ 17,415,000</u>	<u>4,293,617</u>	<u>\$ 20,392,549</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 last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 6.3% of property assessments as of October 1, 2004. This debt will be retired from the debt service fund.

**HANCOCK COUNTY SCHOOL DISTRICT**

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

Current Refunding.

On October 28, 2004, the district issued \$ 14,200,000 in bonds with an average interest rate of 3.00 percent to advance refund \$ 13,975,000 of outstanding bonds with an average interest rate of 5.3 percent. The net proceeds of \$ 14,200,000 after payments of \$ 77,000 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the bonds.

As a result, the 1998 general obligation bond series are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the 1998 general obligation bond series to reduce its total debt service payments over the remaining eight years of the debt by approximately \$ 939,332 and to obtain an economic gain of \$ 939,332.

B. Limited obligation bonds payable.

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

<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 MAEP Note	4.5-6.375%	2/1/1998	2/1/2018	5,905,000	5,115,000
<b>Total</b>				<b>\$ 5,905,000</b>	<b>\$ 5,115,000</b>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	275,000	234,354	509,354
2007	285,000	217,220	502,220
2008	300,000	202,095	502,095
2009	315,000	188,258	503,258
2010	330,000	173,745	503,745
2011-2015	1,920,000	618,535	2,538,535
2016-2018	1,690,000	137,010	1,827,010
<b>Total</b>	<b>\$ 5,115,000</b>	<b>1,771,217</b>	<b>\$ 6,886,217</b>

**HANCOCK COUNTY SCHOOL DISTRICT**

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

This debt will be retired from the debt service fund.

D. Shortfall Notes Payable.

Shortfall Note Payable

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall Note Payable	various	8/1/2004	8/1/2006	182,000	123,105
Total				<u>\$ 182,000</u>	<u>\$ 123,105</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	60,585	3,934	64,519
2007	62,519	1,998	64,517
Total	<u>\$ 123,105</u>	<u>5,932</u>	<u>\$ 129,036</u>

This debt will be retired from the debt service fund.

E. Obligations under energy efficiency lease.

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

**HANCOCK COUNTY SCHOOL DISTRICT**

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	52,812	2,857	55,669
Total	<u>\$ 52,812</u>	<u>2,857</u>	<u>\$ 55,669</u>

An energy efficiency lease agreement dated October 5, 1995, was executed by and between the district, the lessee, and Trustmark Bank, the lessor.

The agreement authorized the borrowing of \$ 421,429 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the debt service fund

F. **Compensated absences payable.**

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Mississippi Code Annotated (1972). Compensated absences will be paid from the fund from which the employees' salaries are 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 Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25 % of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005,

**HANCOCK COUNTY SCHOOL DISTRICT**

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

2004, and 2003 were \$ 1,641,473, \$ 1,439,630, and \$1,339,223, 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.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2006	73,323
2007	73,323
2008	68,743
2009	63,490
2010	59,127
2011-2015	246,118
2016-2020	<u>163,364</u>
Total	<u>\$ 747,488</u>

**(8) Prior Period Adjustments/Exhibits.**

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Description</u>	<u>Explanation</u>	<u>Amount</u>
Statement of Activities	Adjustment related to timing of revenue and expenses.	(58,009)
		<u>(58,009)</u>

## HANCOCK COUNTY SCHOOL DISTRICT

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

(9) **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. The district carries commercial insurance for these risks. 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 cover risks of loss arising from injuries to the school district employees. The Mississippi Worker'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 the 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 \$ 400,000. For a claim exceeding \$ 400,000, MSBAWCT has insurance which will pay the excess up to \$ 25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HANCOCK COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative)	
				Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	7,890,350	8,369,432	8,369,432	479,082	-
State sources	13,995,920	14,030,490	14,030,490	34,570	-
Federal sources	118,500	114,699	114,699	(3,801)	-
<b>Total Revenues</b>	<b>22,004,770</b>	<b>22,514,621</b>	<b>22,514,621</b>	<b>509,851</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	13,367,152	13,228,602	13,228,602	138,550	-
Support services	8,040,920	7,923,834	7,923,834	117,086	-
Noninstructional services	41,159	61,765	61,765	(20,606)	-
Facilities acquisition and construction	65,000	37,562	37,562	27,438	-
<b>Debt service:</b>					
Principal	106,005	50,101	50,101	55,904	-
Interest	15,256	14,079	14,079	1,177	-
<b>Total Expenditures</b>	<b>21,635,492</b>	<b>21,315,943</b>	<b>21,315,943</b>	<b>319,549</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>369,278</b>	<b>1,198,678</b>	<b>1,198,678</b>	<b>829,400</b>	<b>-</b>
<b>Other Financing Sources:</b>					
Proceeds of loans	-	-	-	-	-
Insurance loss recoveries	-	6,369	6,369	6,369	-
Sale of transportation equipment	-	-	-	-	-
Operating transfers in	515,434	1,375,584	1,375,584	860,150	-
Operating transfers out	(848,046)	(2,337,920)	(2,337,920)	(1,489,874)	-
Other financing uses	(6,000)	-	-	6,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(338,612)</b>	<b>(955,967)</b>	<b>(955,967)</b>	<b>(617,355)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>30,666</b>	<b>242,711</b>	<b>242,711</b>	<b>212,045</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2004	2,513,054	2,295,346	2,113,346	(217,708)	-
Prior period adjustment	-	-	-	-	-
July 1, 2004, as restated	2,513,054	2,295,346	2,113,346	(217,708)	-
<b>June 30, 2005</b>	<b>2,543,720</b>	<b>2,538,057</b>	<b>2,356,057</b>	<b>(5,663)</b>	<b>-</b>

## HANCOCK COUNTY SCHOOL DISTRICT

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

#### Notes to the Required Supplementary Information

##### 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 consistent with accounting principles generally accepted in the United States of America.

**SUPPLEMENTAL INFORMATION**

**HANCOCK COUNTY SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	Catalog of Federal Domestic Assistance <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed -through Mississippi Department of Education		
Non-cash assistance:		
Food donation	10.550	194,194
Child nutrition cluster:		
School breakfast program	10.553	273,113
National school lunch program	10.555	819,263
Summer food service program for children	10.559	28,018
Total		<u>1,120,394</u>
Total U.S. Department of Agriculture		1,314,588
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	929,423
Vocational education - basic grants to states	84.048	61,317
Safe and drug-free schools and communities - state grants	84.186	20,383
Education for homeless children and youth	84.196	25,424
Eisenhower professional development state grants	84.281	241,207
Improving teacher quality - state grants	84.367	13,501
State grants for innovative programs	84.298	11,212
Education technology state grants	84.318	48,226
Comprehensive school reform demonstration	84.332	30,370
Total		<u>1,381,063</u>
Special education cluster:		
Special education - grants to states	84.027	752,638
Special education - preschool grants	84.173	18,220
Total		<u>770,858</u>
Total Passed-through Mississippi Department of Education		<u>2,151,921</u>
Total U.S. Department of Education		<u>2,151,921</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	49,772
Total Other Federal Assistance		<u>49,772</u>
Total for All Federal Awards		<u>\$ 3,516,281</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 identification numbers to the school district.

Hancock County School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,448,328	13,748,898	2,090,699	3,608,731
Other	24,905,658	1,970,847	352,067	22,582,744
Total	\$ 44,353,986	15,719,745	2,442,766	26,191,475
Total number of students *	4,238			
Cost per student \$	10,466	3,709	576	6,180

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, teachers aides or classroom assistants of any type. (all the 1000 functional codes)

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

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

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

include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

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**MEMBER**  
Mississippi Society  
of Certified Public  
Accountants

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*

July 28, 2006

Superintendent and School Board  
Hancock County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hancock County School District as of and for the year ended June 30, 2005, which collectively comprise Hancock County School District's basic financial statements and have issued our report thereon dated July 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 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 and 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.

*McDaniel CPA Firm*

**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

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**MEMBER**

Mississippi Society  
of Certified Public  
Accountants

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

July 28, 2006

Superintendent and School Board  
Hancock County School District

Compliance

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

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

In our opinion, Hancock County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Hancock County 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 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 a material weakness.

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

*McDaniel CPA Firm*

**McDaniel CPA Firm**  
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

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MEMBER  
Mississippi Society  
of Certified Public  
Accountants

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

July 28, 2006

Superintendent and School Board  
Hancock County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hancock County School District as of and for the year ended June 30, 2005, which collectively comprise Hancock County School District's basic financial statements and have issued our report thereon dated July 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply fund". 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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of 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 \$ 27,255 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 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 those specified parties. However, this report is a matter of public record and its distribution is not limited.

*McDaniel CPA Firm*

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**HANCOCK COUNTY SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2005

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |     |  |             |
|-----|--|-------------|
| 1 . | Type of auditor's report issued on the general purpose financial statements:             | unqualified |
| 2 . | Material noncompliance relating to the general purpose 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 program:  | unqualified |
| 5 .  | Internal Control over major program:  |             |
|      | 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 a major program:   |             |
|      | 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          |

Section 2: Findings Relating to the Financial Statements

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: Findings and Questioned Costs for Federal Awards

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