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**Hazlehurst City School District
Financial Statements
For the Year Ended
June 30, 2005**

Hazlehurst City School District
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HAZLEHURST CITY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board
Hazlehurst City School District

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

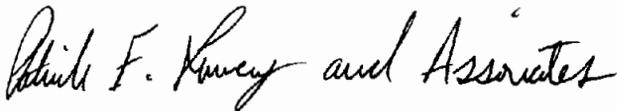
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Hazlehurst City 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 August 8, 2006, on our consideration of the Hazlehurst City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 37 through 40 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 Hazlehurst City School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Patrick E. Lowery and Associates
Certified Public Accountants

August 8, 2006

HAZLEHURST CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hazlehurst City School District

Office of the Superintendent

The discussion and analysis of the Hazlehurst City 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 an 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 and is included in this discussion and analysis.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, decreased \$236,875, which represents an 11% decrease from fiscal year 2004. This decrease is due primarily to the deficiency of revenues over expenditures in the General Fund for the current fiscal year.
- General revenues accounted for \$8,772,273 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,753,305, or 23% of total revenues.
- The District had \$11,718,285 in expenses; only \$2,753,305 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,772,273 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,294,493 in revenues and \$8,509,453 in expenditures. The General Fund's fund balance, including the effect of prior period adjustments, decreased \$245,885 from the prior year due primarily to the deficiency of revenues over expenditures in the General Fund for the current fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$149,693 due primarily to the current year depreciation of capital assets.
- Long-term debt decreased by \$510,198 due primarily to principal payments made during the fiscal year.

Hazlehurst City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

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 are comprised of 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 and other expenses 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.

Hazlehurst City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

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.

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 Special Revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is provided in 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 \$2,056,542 as of June 30, 2005.

Hazlehurst City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$1,524,798 of the District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, mobile equipment and furniture and equipment), 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. \$619,162 of the District's net assets reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes and scholarship purposes. The unrestricted portion of the District's net assets is a negative amount of \$87,418. This negative amount is a result of the excess of non-capital related debt outstanding and accrued interest payable at year end over the fund balance in the General Fund.

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, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 1,384,526	\$ 1,273,358
Other assets	108,060	101,606
Capital assets, net	<u>2,824,798</u>	<u>2,974,491</u>
Total assets	<u>4,317,384</u>	<u>4,349,455</u>
Current liabilities	1,304,207	634,822
Long-term debt outstanding	<u>623,635</u>	<u>1,421,216</u>
Total liabilities	<u>2,260,842</u>	<u>2,056,038</u>
Net assets:		
Invested in capital assets, net of related debt	1,524,798	1,140,732
Restricted	619,162	943,777
Unrestricted	<u>(87,418)</u>	<u>208,908</u>
Total net assets	<u>\$ 2,056,542</u>	<u>\$ 2,293,417</u>

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

- Current liabilities increased from the previous fiscal year due primarily to the reporting of accrued payroll and salary benefits/withholdings payable in the governmental activities for fiscal year 2005. The accrued payroll and salary benefits/withholdings payable was reported in the fiduciary funds in the prior year.

Hazlehurst City School District
 Management's Discussion and Analysis
 For the Year Ended June 30, 2005

- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the current fiscal year.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the decrease in long term debt outstanding related to the capital assets.
- Restricted net assets decreased from the previous fiscal year due primarily to a decrease in amounts restricted for school based activities and debt service.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the deficiency of revenues over expenditures in the General Fund. This deficiency resulted in a negative amount reported in unrestricted net assets.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$11,525,578. The total cost of all programs and services was \$11,718,285. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues	\$ 2,753,305	\$ 2,817,195
General revenues	<u>8,772,273</u>	<u>8,638,776</u>
Total revenues	<u>11,525,578</u>	<u>11,455,971</u>
Expenses:		
Instruction	6,757,564	6,512,296
Support services	3,568,919	3,425,820
Non-instructional	1,033,603	947,939
Sixteenth section	244,802	34,518
Interest and other expenses on long-term liabilities	<u>113,397</u>	<u>66,144</u>
Total expenses	<u>11,718,285</u>	<u>10,986,717</u>
Prior period adjustments	<u>(44,168)</u>	<u>130,426</u>
Increase (decrease) in net assets	<u>\$ (236,875)</u>	<u>\$ 599,680</u>

Expenses increased from the previous fiscal year due primarily to the 8% increase in teacher pay, the increase in cost of insurance and increase in sixteenth section expenditures related to pro rata revenue paid to Copiah County School District.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost

Hazlehurst City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

(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.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 6,757,564	\$ (5,548,600)	\$ 6,512,296	\$ (5,253,005)
Support services	3,568,919	(3,062,136)	3,425,820	(2,864,269)
Non-instructional	1,033,603	(26,110)	947,939	(2,071)
Sixteenth section	244,802	(214,737)	34,518	15,967
Interest on long-term liabilities	113,397	(113,397)	66,144	(66,144)
Total expenses	<u>\$11,718,285</u>	<u>\$ (8,964,980)</u>	<u>\$ 10,986,717</u>	<u>\$ (8,169,522)</u>

- The net cost of governmental activities for fiscal year 2005 in the amount of \$8,964,980 was financed by beginning net assets and current year general revenue, which is made up of primarily property taxes of \$2,282,176 and state revenue of \$6,069,026.
- Sixteenth section sources in the amount of \$363,608 were generated during the fiscal year from the sale of timber, leases and pro rata revenue received from other school districts.

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 fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$707,152. The net change in fund balance for the fiscal year was a decrease of \$557,945 due primarily to the deficiency of revenues over expenditures in the General Fund and various other funds. \$439,299, or 62%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$267,853, or 38%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

Hazlehurst City 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 net change in fund balance for the General Fund for the fiscal year was a decrease of \$216,898 due primarily to the deficiency of revenues over expenditures for the current fiscal year. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was a decrease of \$101,127 due primarily to the transfer of funds to the General Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$239,920 due primarily to the deficiency of revenues over expenditures in various funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for instructional expenditures in the General Fund were decreased during the fiscal year. The final budgeted amounts were amended to actual per the client prepared financial statements. However, the actual expenditures incurred during the fiscal year per the audited financial statements exceeded the final budgeted amounts because accrued payroll and salary benefits/withholdings payable were included in actual audited expenditures at year end but were not included in the final amended budget or the client prepared financial statements.
- Budgeted amounts for sixteenth section revenues and expenditures in the 16th Section Interest Fund were increased to reflect actual revenue received and expenditures incurred during the fiscal year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major Special Revenue 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, before depreciation, were \$6,346,723, including land, buildings, building improvements, mobile equipment and furniture and equipment. This amount represents a gross decrease of \$23,800 from the previous year due to the disposal of two buses during the fiscal year. Total depreciation expense for the year was \$147,313. Total accumulated depreciation as of June 30, 2005 was \$3,521,925, resulting in total net assets of \$2,824,798.

Debt Administration. At June 30, 2005, the District had \$1,448,526 in general and limited obligation bonds and other long-term debt outstanding, of which \$491,891 is due within one year. During the fiscal year, the district entered into a lease which qualifies as a capital lease in the amount of \$74,984 for the purchase of computer equipment (non-capital equipment). The district made principal payments in the amount of \$558,226 during the fiscal year.

Hazlehurst City School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

CURRENT ISSUES

The fund balance of the General Fund decreased from the previous fiscal year resulting in a fund balance of \$87,988 at June 30, 2005. Due to revenue cuts from the Mississippi Legislature and a decreased fund balance, management of the school district has some expressed concern for their financial future. Some of the most critical concerns are the increase in the employers match to Public Employee's Retirement System and the school district having to assume responsibility for a portion of the previously fully funded employee health insurance.

The millage rate for the school district has not increased or decreased significantly over the past several years.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Hazlehurst City School District, 119 Robert McDaniel Dr., Hazlehurst, MS 39083.

HAZLEHURST CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Hazlehurst City School District
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 795,824
Investments	420,363
Due from other governments	137,284
Inventories	31,055
Restricted assets	108,060
Capital assets, net (Note 5)	<u>2,824,798</u>
 Total Assets	 \$ <u><u>4,317,384</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 672,973
Deferred Revenue	112,461
Interest payable on long-term liabilities	26,882
 Long-term liabilities, due within one year (Note 6)	
Capital related liabilities	462,000
Non-capital related liabilities	29,891
 Long-term liabilities, due beyond one year (Note 6)	
Capital related liabilities	838,000
Non-capital related liabilities	<u>118,635</u>
 Total Liabilities	 \$ <u><u>2,260,842</u></u>
Net Assets	
Investment in capital assets, net of related debt	\$ 1,524,798
Restricted net assets:	
Expendable:	
School - based activities	382,366
Forestry improvements	61,122
Unemployment benefits	55,160
Non-expendable:	
Sixteenth section	90,404
Other	30,110
Unrestricted	<u>(87,418)</u>
 Total Net Assets	 \$ <u><u>2,056,542</u></u>

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

Hazlehurst City School District
 Statement of Activities
 For the Year Ended June 30, 2005

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
					Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 6,757,564	169,801	1,039,163	-	(5,548,600)
Support services	3,568,919	-	506,783	-	(3,062,136)
Non-instructional	1,033,603	130,648	876,845	-	(26,110)
Sixteenth section	244,802	30,065	-	-	(214,737)
Interest on long-term liabilities	113,397	-	-	-	(113,397)
Total governmental activities	\$ 11,718,285	330,514	2,422,791	0	(8,964,980)

General Revenues:

Taxes:	
General purpose levies	1,986,367
Debt purpose levies	295,809
Unrestricted grants and contributions:	
State	6,069,026
Federal	14,865
Unrestricted investment earnings	10,946
Sixteenth section sources	363,608
Other	31,652
Total General Revenues	8,772,273
 Change in Net Assets	 (192,707)
 Net Assets - Beginning	 2,293,417
Prior Period Adjustments (Note 10)	(44,168)
 Net Assets - Beginning - Restated	 2,249,249
 Net Assets - Ending	 \$ 2,056,542

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

Hazlehurst City School District
 Balance Sheet - Governmental Funds
 June 30, 2005

Exhibit C

	Major Funds			
	General	16th Section	Other	Total
	Fund	Interest	Governmental	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash and cash equivalents (Note 3)	\$ 136,112	201,735	566,037	903,884
Investments	420,363	-	-	420,363
Due from other governments	93,625	-	43,109	136,734
Due from other funds (Note 4)	271,795	160,147	231,398	663,340
Advance to other funds (Note 4)	-	-	12,954	12,954
Inventories	-	-	31,055	31,055
Total Assets	\$ 921,895	361,882	884,553	2,168,330
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 511,481	19,755	141,737	672,973
Due to other funds (Note 4)	309,472	-	353,318	662,790
Deferred Revenue	-	-	112,461	112,461
Advances from other funds (Note 4)	12,954	-	-	12,954
Total Liabilities	833,907	19,755	607,516	1,461,178
Fund Balances:				
Reserved for:				
Advances	-	-	12,954	12,954
Inventory	-	-	31,055	31,055
Unemployment benefits	-	-	55,160	55,160
Forestry improvements	-	-	61,122	61,122
Debt service purposes	-	-	2	2
Permanent fund purposes	-	-	107,560	107,560
Unreserved:				
Undesignated, reported in:				
General Fund	87,988	-	-	87,988
Special Revenue Funds	-	342,127	9,184	351,311
Total Fund Balances	87,988	342,127	277,037	707,152
Total Liabilities and Fund Balances	\$ 921,895	361,882	884,553	2,168,330

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

Hazlehurst City School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 707,152
Amounts 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 \$3,521,925. (Note 5)	2,824,798
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds as follows.	
Long-term liabilities (Note 6)	(1,448,526)
Accrued interest on debt	<u>(26,882)</u>
Total Net Assets - Governmental Activities	\$ <u>2,056,542</u>

Hazlehurst City School District

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2005

	Major Funds		Other	Total
	General Fund	16th Section Interest Fund	Governmental Funds	Governmental Funds
Revenues:				
Local sources	\$ 2,197,126	-	425,551	2,622,677
State sources	6,082,501	-	195,120	6,277,621
Federal sources	14,866	-	2,214,195	2,229,061
Sixteenth section sources	-	346,625	49,594	396,219
Total Revenues	8,294,493	346,625	2,884,460	11,525,578
Expenditures:				
Instruction	5,225,502	-	1,472,785	6,698,287
Support services	2,982,467	-	535,698	3,518,165
Noninstructional services	-	-	1,016,666	1,016,666
Sixteenth section	-	187,752	57,050	244,802
Debt service:				
Principal	260,690	-	297,536	558,226
Interest	40,794	-	81,567	122,361
Total Expenditures	8,509,453	187,752	3,461,302	12,158,507
Excess (Deficiency) of Revenues				
Over Expenditures	(214,960)	158,873	(576,842)	(632,929)
Other Financing Sources (Uses):				
Inception of capital leases	74,984	-	-	74,984
Operating transfers in	1,119,943	-	541,828	1,661,771
Operating transfers out	(1,196,865)	(260,000)	(204,906)	(1,661,771)
Total Other Financing Sources (Uses)	(1,938)	(260,000)	336,922	74,984
Net Change in Fund Balances	(216,898)	(101,127)	(239,920)	(557,945)
Fund Balances:				
July 1, 2004, as previously reported	333,873	443,254	536,369	1,313,496
Prior period adjustments and reclassifications (Note 10)	(28,987)	-	(15,181)	(44,168)
July 1, 2004, as restated	304,886	443,254	521,188	1,269,328
Increase (Decrease) in reserve for inventory	-	-	(4,231)	(4,231)
June 30, 2005	\$ 87,988	342,127	277,037	707,152

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

Hazlehurst City School District
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (557,945)
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 these expenditures over the life of the assets. Capital asset purchases amounted to \$0 and the depreciation expense amounted to \$147,313. (Note 5)	(147,313)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 6)	558,226
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items: Losses on the sale of capital assets	(2,380)
4. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(74,984)
5. 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	26,956
6. 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.	8,964
7. 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.	<u>(4,231)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(192,707)</u></u>

Hazlehurst City School District
Statement of Fiduciary Net Assets
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 3)	\$ <u>550</u>
Total Assets	\$ <u><u>550</u></u>
Liabilities	
Due to other funds (Note 4)	<u>550</u>
Total Liabilities	\$ <u><u>550</u></u>

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

HAZLEHURST CITY SCHOOL DISTRICT

Notes to 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Hazlehurst since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school.

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.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to 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 in another fund.

16th Section Interest Fund - This fund accounts for the transactions resulting from the generation of revenue from the 16th section land within that individual township that is legally required to be placed in a 16th section interest fund.

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 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.

HAZLEHURST CITY SCHOOL DISTRICT

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents 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.

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.

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.

HAZLEHURST CITY SCHOOL DISTRICT

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

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

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
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 5 for details

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date 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 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.

HAZLEHURST CITY SCHOOL DISTRICT

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

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

Reserved for 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 city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort

HAZLEHURST CITY SCHOOL DISTRICT

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

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

(2) 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 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.

(3) Cash and Cash Equivalents and Investments.

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 reported in the governmental funds and fiduciary funds was \$903,884 and \$550, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$795,824 and Restricted Assets \$108,060. The Restricted Assets represents the cash balance of the 16th 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 \$1,033,480.

Custodial Credit Risk-Deposits. Custodial risk is the risk that in the event of a depository failure, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement, the Mississippi State Treasurer's office is acting on behalf of the school district.

HAZLEHURST CITY SCHOOL DISTRICT

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

Investments.

As of June 30, 2005, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	1 to 5	<u>420,363</u>	
Subtotal		<u>420,363</u>	
Total Investments		<u>\$ 420,363</u>	

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33 (e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 271,795	309,472
16 th Section Interest fund	160,147	
Other Governmental Funds	231,398	353,318
Fiduciary Funds		<u>550</u>
Total	<u>\$ 663,340</u>	<u>663,340</u>

The purpose of the interfund receivables and payables are to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

HAZLEHURST CITY SCHOOL DISTRICT

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

B. Advances To/From Other Funds:

	Advances To	Advances From
Governmental funds:		
General fund	\$	12,954
Other Governmental funds	12,954	
Total	\$ 12,954	12,954

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:

Year Ending June 30	Principal	Interest	Total
2006	3,051	518	3,569
2007	3,173	396	3,569
2008	3,299	269	3,568
2009	3,431	137	3,568
Total	\$ 12,954	1,320	14,274

C. Transfers In/Out.

	Transfer In	Transfers Out
Governmental funds:		
General fund	\$ 1,119,943	1,196,865
16 th Section Interest fund		260,000
Other Governmental Funds	541,828	204,906
Total	\$ 1,661,771	1,661,771

The purposes of interfund transfers are to transfer federal program indirect costs to the General fund and to close out federal programs at year end. These transfers are consistent with the activities of the fund making the transfer.

HAZLEHURST CITY SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirement s	Completed Construction	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 25,000					25,000
Total non-depreciable capital assets	25,000	0	0	0	0	25,000
<u>Depreciable capital assets:</u>						
Buildings	4,621,662					4,621,662
Improvements other Than buildings	96,744					96,744
Mobile equipment	1,232,449		23,800			1,208,649
Furniture and equipment	394,668					394,668
Total depreciable capital Assets	6,345,523	0	23,800	0	0	6,321,723
<u>Less accumulated depreciation for:</u>						
Buildings	(2,110,854)	(71,585)				(2,182,439)
Improvements other Than buildings	(15,479)	(3,870)				(19,349)
Mobile equipment	(921,316)	(53,501)	21,420			(953,397)
Furniture and equipment	(348,383)	(18,357)				(366,740)
Total accumulated depreciation	(3,396,032)	(147,313)	21,420	0	0	(3,521,925)
Total depreciable capital assets, net	2,949,491	(147,313)	2,380	0	0	2,799,798
Governmental activities capital assets, net	\$ 2,974,491	(147,313)	2,380	0	0	2,824,798

HAZLEHURST CITY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 76,798
Support services	55,113
Non-instructional	15,402
 Total depreciation expense	 \$ 147,313

(6) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A. General obligation bonds payable	715,000		175,000		540,000	180,000
B. Limited obligation bonds Payable	880,000		205,000		675,000	215,000
C. Three mill notes payable	68,000		25,000		43,000	25,000
D. Transportation equipment loans payable	47,536		47,536		0	
E. Obligations under capital leases	31,223	74,984	55,690		50,517	24,991
F. Other loans payable	92,000		50,000		42,000	42,000
G. Compensated absences payable	124,965		26,956		98,009	4,900
 Total	 \$ 1,958,724	74,984	585,182	0	1,448,526	491,891

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 1992	Varies	08-01-92	08/01/07	\$ 1,770,000	540,000
 Total				 \$ 1,770,000	540,000

HAZLEHURST CITY SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2006	180,000	25,280	205,280
2007	190,000	15,010	205,010
2008	170,000	4,845	174,845
Total	\$ 540,000	45,135	585,135

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, 2005, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2004. This debt will be retired from the 1993 Refunded Bond Retirement Fund (4032).

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital Improvement bonds	4.6%	04/01/1998	08/01/2007	\$ 1,465,000	675,000
Total				\$ 1,465,000	675,000

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

Year Ending June 30	Principal	Interest	Total
2006	215,000	26,105	241,105
2007	225,000	15,985	240,985
2008	235,000	5,405	240,405
Total	\$ 675,000	47,495	722,495

HAZLEHURST CITY SCHOOL DISTRICT

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

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 Debt Service Fund (4024).

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill-ten year notes	5.15%	06-01-97	06-01-07	\$ 445,000	43,000
Total				<u>\$ 445,000</u>	<u>43,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	25,000	2,214	27,214
2007	18,000	927	18,927
Total	<u>\$ 43,000</u>	<u>3,141</u>	<u>46,141</u>

This debt will be retired from the Three Mill Note Fund (4023).

D. Transportation equipment loans payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Equipment Notes Series 1999	4.44%	04-01-99	04-01-05	\$ 294,500	0
Total				<u>\$ 294,500</u>	<u>0</u>

This debt was retired from the Education Enhancement Building & Buses Fund (2410).

HAZLEHURST CITY SCHOOL DISTRICT

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

E. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of computer hardware and software.

The lease includes a \$1 purchase option at the end of the lease term.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2006	24,991	1,080	26,071
2007	\$ 25,526	545	26,071
Total	\$ 50,517	1,625	52,142

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

F. Other loans payable.

The school district has issued debt instruments granted under the authority of Section 37-59-101, Miss. Code Ann. (1972).

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Loans payable	5.39%	02-15-00	02-15-06	\$ 217,000	42,000
Total				\$ 217,000	42,000

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

Year Ending June 30	Principal	Interest	Total
2006	42,000	2,264	44,264
Total	\$ 42,000	2,264	44,264

This debt will be retired from the Limited Tax Note Fund (4033).

HAZLEHURST CITY SCHOOL DISTRICT

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

G. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 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, 2004 and 2003 were \$688,976, \$618,535, and \$560,844, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Operating leases:

The school district has an operating lease for eight Canon IR copiers and three finisher/staplers.

Lease expenditures for the year ended June 30, 2005, amounted to \$59,775. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2006	33,264
2007	2,772
Total	\$ 36,036

(9) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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.

HAZLEHURST CITY SCHOOL DISTRICT

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

Year Ending June 30	Amount
2006	\$ 91,935
2007	69,052
2008	60,174
2009	48,090
2010	42,442
2011 – 2015	212,210
2016 – 2020	212,135
2021 – 2025	161,815
2026-2030	160,735
2031-2035	147,962
Thereafter	152,810
Total	\$ 1,359,360

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. Reclassify fund equity – an adjustment to correct a prior year error in recording an asset or liability:	
a) General Fund	(28,987)
c) Other Governmental Funds	(15,181)
Total	\$ (44,168)

Exhibit D- Statement of Revenue, Expenditures and changes in Fund Balance

<u>Explanation(s)</u>	<u>Amount</u>
1. Reclassify fund equity – an adjustment to correct a prior year error in recording an asset or liability:	
a) General Fund	(28,987)
c) Other Governmental Funds	(15,181)
Total	\$ (44,168)

HAZLEHURST CITY SCHOOL DISTRICT

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

(11) 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. 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 Bancorp South. 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.

HAZLEHURST CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Hazlehurst City School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,237,562	2,228,142	2,197,126	(9,420)	(31,016)
State sources	6,072,193	6,085,380	6,082,501	13,187	(2,879)
Federal sources	35,410	-	14,866	(35,410)	14,866
Total Revenues	<u>8,345,165</u>	<u>8,313,522</u>	<u>8,294,493</u>	<u>(31,643)</u>	<u>(19,029)</u>
Expenditures:					
Instruction	5,405,527	4,853,617	5,225,502	551,910	(371,885)
Support services	2,849,922	2,940,500	2,982,467	(90,578)	(41,967)
Debt service:					
Principal	205,000	205,000	260,690	-	(55,690)
Interest	35,765	7,137	40,794	28,628	(33,657)
Total Expenditures	<u>8,496,214</u>	<u>8,006,254</u>	<u>8,509,453</u>	<u>489,960</u>	<u>(503,199)</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>(151,049)</u>	<u>307,268</u>	<u>(214,960)</u>	<u>458,317</u>	<u>(522,228)</u>
Other Financing Sources (Uses):					
Inception of capital leases	-	-	74,984	-	74,984
Operating transfers in	1,021,157	897,608	1,119,943	(123,549)	222,335
Operating transfers out	<u>(1,097,075)</u>	<u>(1,006,187)</u>	<u>(1,196,865)</u>	<u>90,888</u>	<u>(190,678)</u>
Total Other Financing Sources (Uses)	<u>(75,918)</u>	<u>(108,579)</u>	<u>(1,938)</u>	<u>(32,661)</u>	<u>106,641</u>
Net Change in Fund Balances					
	<u>(226,967)</u>	<u>198,689</u>	<u>(216,898)</u>	<u>425,656</u>	<u>(415,587)</u>
Fund Balances:					
July 1, 2004, as previously reported			333,873		
Prior period adj & reclassifications			<u>(28,987)</u>		
July 1, 2004, as restated			<u>304,886</u>		
June 30, 2005			\$ <u>87,988</u>		

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

Hazlehurst City School District
 Budgetary Comparison Schedule
 16th Section Interest
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
16th section sources	230,000	346,625	346,625	116,625	-
Total Revenues	230,000	346,625	346,625	116,625	-
Expenditures:					
Sixteenth section	-	187,752	187,752	(187,752)	-
Total Expenditures	-	187,752	187,752	(187,752)	-
Excess (Deficiency) of Revenues Over Expenditures	230,000	158,873	158,873	(71,127)	-
Other Financing Sources (Uses):					
Operating transfers out	(259,380)	(260,000)	(260,000)	(620)	-
Total Other Financing Sources (Uses)	(259,380)	(260,000)	(260,000)	(620)	-
Net Change in Fund Balances	(29,380)	(101,127)	(101,127)	(71,747)	-
Fund Balances:					
July 1, 2004, as previously reported			443,254		
June 30, 2005			\$ 342,127		

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

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.

HAZLEHURST CITY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

HAZLEHURST CITY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

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	\$ 69,339
Child nutrition cluster:		
School breakfast program	10.553	299,313
National school lunch program	10.555	578,741
Summer food service program for children	10.559	20,612
Total child nutrition cluster		898,666
Total passed-through Mississippi Department of Education		968,005
Total U.S. Department of Agriculture		968,005
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	45,809
Total U.S. Department of Defense		45,809
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	629,609
Vocational education - basic grants to states	84.048	26,367
Safe and drug-free schools and communities - state grants	84.186	13,525
Improving teacher quality state grants	84.367	177,968
State Grants for Innovative Programs	84.298	7,644
Education Technology State Grants	84.318	18,906
Total		874,019
Special education cluster:		
Special education - grants to states	84.027	295,045
Total		295,045
Total passed-through Mississippi Department of Education		1,169,064
Total U.S. Department of Education		1,169,064
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	14,866
Total Federal Communications Commission		14,866
Total for All Federal Awards		\$ 2,197,744

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.

Hazlehurst City 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	\$ 8,864,783	6,145,508	1,020,055	1,699,220
Other	3,293,724	552,779	205,743	2,535,202
Total	\$ <u>12,158,507</u>	<u>6,698,287</u>	<u>1,225,798</u>	<u>4,234,422</u>
Total number of students *	1,691			
Cost per student \$	7,190	3,961	725	2,504

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

HAZLEHURST CITY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hazlehurst City School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hazlehurst City School District as of and for the year ended June 30, 2005 which collectively comprise Hazlehurst City School District's basic financial statements, and have issued our report thereon dated August 8, 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.

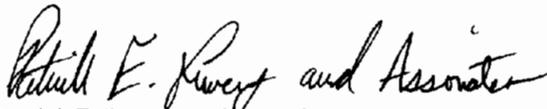
Internal Control Over Financial Reporting

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 opinions on the financial statements and not to provide an opinion 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 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 misstatement 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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.



Patrick E. Lowery and Associates
Certified Public Accountants

August 8, 2006

PATRICK E. LOWERY AND ASSOCIATES

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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
Hazlehurst City School District

Compliance

We have audited the compliance of the Hazlehurst City 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, 2005. 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.

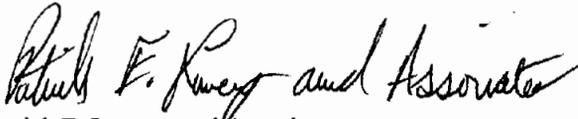
In our opinion, Hazlehurst City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Hazlehurst City 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no 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.



Patrick E. Lowery and Associates
Certified Public Accountants

August 8, 2006

HAZLEHURST CITY SCHOOL DISTRICT

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

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hazlehurst City School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hazlehurst City School District as of and for the year ended June 30, 2005 which collectively comprise Hazlehurst City School District's basic financial statements, and have issued our report thereon dated August 8, 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*.

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 \$44,383 of classroom supply funds carried over from previous years.

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

1. Finding

The district did not prepare a list of educable children by township of children enrolled and residing in shared sixteenth section townships by December 31 as required by Section 29-3-121, Miss. Code Ann. (1972).

Recommendation

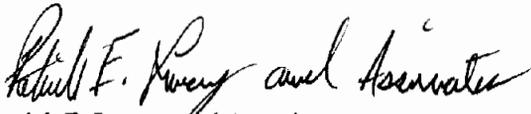
The district should comply with Section 29-3-121, Miss. Code Ann. (1972), which requires the district to compile a list of educable children enrolled and residing in the district. Such lists shall be made separately as to the township in which such children reside and filed with the superintendent of the custodial district on or before December 31 of each year.

School District's Response

We concur. This list was prepared by the previous administration manually. The current administration is implementing procedures to retrieve this report via the student software SAM 6i.

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

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



Patrick E. Lowery and Associates
Certified Public Accountants

August 8, 2006

HAZLEHURST CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HAZLEHURST CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section I: 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. | Child Nutrition Cluster | |
| | CFDA # 10.553 School Breakfast Program | |
| | CFDA # 10.555 National School Lunch Program | |
| | CFDA # 10.559 Summer Food Service Program for Children | |
| b. | CFDA # 84.027 Special Education-Grants to states | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | Yes |

HAZLEHURST CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

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.

HAZLEHURST CITY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS

Hazlehurst City School District

Office of the Superintendent

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section .315 of OMB Circular A-133, the Hazlehurst City School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2005:

Finding

Status

2004-1

The district's credit card was taken from the employee. All undocumented charges were repaid by the employee.