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HUMPHREYS COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2005**

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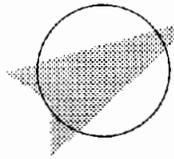
AUDITEE’S CORRECTIVE ACTION PLAN 63

HUMPHREYS COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

HUMPHREYS COUNTY SCHOOL DISTRICT

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Diane Shaw Day, CPA

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

Superintendent and School Board
Humphreys County School District

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Humphreys 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*, I have also issued my report dated December 5, 2005, on my consideration of the Humphreys County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

The Management's Discussion and Analysis on pages (7) through (13) and the Budgetary Comparison Schedule and corresponding notes on pages (41) through (43) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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


Day, CPA
December 5, 2005

HUMPHREYS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HUMPHREYS COUNTY SCHOOL DISTRICT

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

The discussion and analysis of Humphreys 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,795,048, which represents 14.17% increase from fiscal year 2004.

General revenues account for \$10,017,990 in revenue, or 68.57% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,592,421 or 31.43% of total revenues.

- The District had \$12,815,363 in expenses; only \$4,592,421 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,017,990 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,989,468 in revenues and \$7,549,772 in expenditures. The General Fund's fund balance *decreased* \$102,196 *under* the prior year.
- Capital assets, net of accumulated depreciation, *decreased* by \$118,764.
- Long-term debt *decreased* by \$409,465.

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.

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 17- 18 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

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

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 20 and 22, 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 19 - 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 23.

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 25 -37 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 41 - 43 of this report.

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

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 47 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 \$14,462,817 as of June 30, 2005.

By far the largest portion (\$7,396,673) of the District's net assets (51.14%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, 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.

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.

	2005	2004
Current assets	\$ 8,279,856	\$ 6,489,198
Capital assets, net	<u>11,061,673</u>	<u>11,180,437</u>
Total assets	<u>19,341,529</u>	<u>17,669,635</u>
Current liabilities	1,307,360	1,257,824
Long-term debt outstanding	<u>3,571,352</u>	<u>3,762,629</u>
Total liabilities	<u>4,878,712</u>	<u>5,020,453</u>
Net assets:		
Invested in capital assets, net of related debt	7,396,673	7,110,620
Restricted	4,333,637	2,709,078
Unrestricted	<u>2,732,507</u>	<u>2,829,484</u>
Total net assets	<u>\$14,462,817</u>	<u>\$12,649,182</u>

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

- The principal retirement of \$414,969 of long-term debt.

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

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$14,610,411. The total cost of all programs and services was \$12,815,363. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$4,592,421	\$ 4,283,086
General revenues	<u>10,017,990</u>	<u>9,593,940</u>
Total revenues	<u>14,610,411</u>	<u>13,877,026</u>
Expenses:		
Instruction	6,216,108	6,211,352
Support services	5,314,489	5,014,082
Non-instructional	1,090,104	1,072,235
Sixteenth section	4,146	12,105
Interest on long-term liabilities	<u>190,516</u>	<u>210,580</u>
Total expenses	<u>12,815,363</u>	<u>12,520,354</u>
Increase (Decrease) in net assets	<u>\$1,795,048</u>	<u>\$ 1,356,672</u>

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.

	<u>2005</u>		<u>2004</u>	
	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$6,216,108	\$(4,393,225)	\$6,211,352	\$(4,531,056)
Support services	5,314,489	(3,650,102)	5,014,082	(3,429,468)
Non-instructional	1,090,104	15,047	1,072,235	(54,059)
Sixteenth section	4,146	(4,146)	12,105	(12,105)
Interest on long-term liabilities	<u>190,516</u>	<u>(190,516)</u>	<u>210,580</u>	<u>(210,580)</u>
Total expenses	<u>\$12,815,363</u>	<u>\$(8,222,942)</u>	<u>12,520,354</u>	<u>\$(8,237,268)</u>

- Net cost of governmental activities (\$8,222,942), was financed by general revenue, which is made up of primarily property taxes (\$1,834,326) and state revenue (\$7,726,645).
- Investment earnings accounted for \$75,810 of funding.

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

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 \$7,252,179, an increase of \$1,526,659 due primarily to major renovations being postponed to the following year and securing new grants that will not be expended until the next year. \$7,233,912 or 99.7% 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 \$18,267 or 0.3% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The *decrease* in fund balance in the General Fund for the fiscal year was \$102,196 a result of funds being transferred for renovations. The fund balance of Other Governmental Funds showed an increase due primarily to renovations not being made and new grants being secured and not expended in the current year.

BUDGETARY HIGHLIGHTS

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

- Budget amounts were amended to account for new funding sources and to reflect the actual receipts and expenses.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$16,667,242, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$235,065 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$5,605,569 and total depreciation expense for the year was \$383,928, resulting in total net assets of \$11,061,673.

Additional information of the District's capital assets can be found in Note 4 on page 32 of this report.

Debt Administration. At June 30, 2005, the District had \$3,771,504 in limited obligation bonds and other long-term debt outstanding, of which \$200,152 is due within one year.

The District maintains an AA- bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 33 of this report.

CURRENT ISSUES

The Humphreys 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 millage has increased 0.75 over 3 years. 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 remain level.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Humphreys County School District, P. O. Box 678, Belzoni, MS 39038.

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

HUMPHREYS COUNTY SCHOOL DISTRICT

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

Exhibit A

	Primary Government Governmental Activities
	<u> </u>
Assets	
Cash and cash equivalents (Note 2)	\$ 7,278,025
Investments (Note 2)	142,346
Due from other governments	689,010
Other Receivable, net	5,000
Inventories and prepaid items	4,661
Restricted assets	160,814
Capital assets, net (Note 4)	<u>11,061,673</u>
Total Assets	<u>\$ 19,341,529</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 826,297
Deferred revenue	201,380
Interest payable on long-term liabilities	79,531
Long-term liabilities, due within one year (Note 5)	
Capital related liabilities	190,000
Non-capital related liabilities	10,152
Long-term liabilities, due beyond one year (Note 5)	
Capital related liabilities	3,475,000
Non-capital related liabilities	<u>96,352</u>
Total Liabilities	<u>\$ 4,878,712</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 7,396,673
Restricted net assets:	
Expendable:	
School - based activities	981,017
Capital improvement	2,523,728
Debt service	541,081
Forestry improvements	87,764
Unemployment benefits	39,232
Non-expendable:	
Sixteenth section	160,815
Unrestricted	<u>2,732,507</u>
Total Net Assets	<u>\$ 14,462,817</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
Instruction	\$ 6,216,108	84,933	1,737,950	(4,393,225)
Support services	5,314,489		1,664,387	(3,650,102)
Non-instructional	1,090,104	72,232	1,032,919	15,047
Sixteenth section	4,146			(4,146)
Interest and other charges related to long-term liabilities	190,516			(190,516)
Total governmental activities	\$ 12,815,363	157,165	4,435,256	(8,222,942)

General Revenues:

Taxes:

General purpose levies	1,814,868
Debt purpose levies	19,458

Unrestricted grants and contributions:

State	7,726,645
Federal	21,344
Unrestricted investment earnings	75,810
Sixteenth section sources	354,231
Other	5,634

Total General Revenues 10,017,990

Change in Net Assets 1,795,048

Net Assets - Beginning 12,649,182
Prior Period Adjustments (Note 8): 18,587

Net Assets - Beginning - Restated 12,667,769

Net Assets - Ending \$ 14,462,817

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

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

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	District Building Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents (Note 2)	\$ 2,983,248	60,736	2,510,513	1,884,342	7,438,839
Investments (Note 2)				142,346	142,346
Due from other governments	50,102	277,330		361,578	689,010
Due from other funds (Note 3)	161,500			25,000	186,500
Advance to other funds (Note 3)	5,000				5,000
Inventories and prepaid items				4,661	4,661
Total Assets	\$ 3,199,850	338,066	2,510,513	2,417,927	8,466,356
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 21,863	128,306		33,846	184,015
Due to other funds (Note 3)	338,976	209,760		280,046	828,782
Deferred revenue				201,380	201,380
Total Liabilities	360,839	338,066	-	515,272	1,214,177
Fund Balances:					
Reserved for:					
Advances	5,000				5,000
Inventory				4,661	4,661
Ad valorem	8,606				8,606
Unreserved:					
Undesignated, reported in:					
General fund	2,825,405				2,825,405
Special Revenue funds				1,103,352	1,103,352
Capital Projects funds			2,510,513	13,215	2,523,728
Debt Service funds				620,612	620,612
Permanent funds				160,815	160,815
Total Fund Balances	2,839,011	-	2,510,513	1,902,655	7,252,179
Total Liabilities and Fund Balances	\$ 3,199,850	338,066	2,510,513	2,417,927	8,466,356

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

HUMPHREYS COUNTY 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	\$ 7,252,179
Amounts reported for governmental activities in the statement of net assets are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,605,568.	11,061,673
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(3,771,504)
3 Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(79,531)
Total Net Assets - Governmental Activities	\$ <u>14,462,817</u>

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

HUMPHREYS 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			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	District Building Fund		
Revenues:					
Local sources	\$ 1,959,770	300		99,761	2,059,831
State sources	6,985,854			1,090,643	8,076,497
Federal sources	43,844	1,246,470		2,821,783	4,112,097
Sixteenth section sources				361,588	361,588
Total Revenues	8,989,468	1,246,770	-	4,373,775	14,610,013
Expenditures:					
Instruction	4,323,580	723,980		1,144,785	6,192,345
Support services	3,088,592	459,068	65,278	1,593,659	5,206,597
Noninstructional services	1,183	23,323		1,046,440	1,070,946
Sixteenth section				4,146	4,146
Debt service:					
Principal	128,633			286,336	414,969
Interest	7,784			186,219	194,003
Other				746	746
Total Expenditures	7,549,772	1,206,371	65,278	4,262,331	13,083,752
Excess (Deficiency) of Revenues Over Expenditures	1,439,696	40,399	(65,278)	111,444	1,526,261
Other Financing Sources (Uses):					
Sale of other property	398				398
Operating transfers in	90,186		1,500,000	135,430	1,725,616
Operating transfers out	(1,632,476)	(42,044)		(51,096)	(1,725,616)
Total Other Financing Sources (Uses)	(1,541,892)	(42,044)	1,500,000	84,334	398
Net Change in Fund Balances	(102,196)	(1,645)	1,434,722	195,778	1,526,659
Fund Balances:					
July 1, 2004	2,944,326	976	1,075,791	1,712,385	5,733,478
Prior period adjustments (Note 8)	(3,119)	669		528	(1,922)
July 1, 2004, as restated	2,941,207	1,645	1,075,791	1,712,913	5,731,556
Decrease in reserve for inventory				(6,036)	(6,036)
June 30, 2005	\$ 2,839,011	-	2,510,513	1,902,655	7,252,179

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

HUMPHREYS COUNTY 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	\$ 1,526,659
Amounts reported for governmental activities in the statement of activities are different because:	
1 Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchase amounted to \$244,752 and the depreciation expense amounted to \$383,928. (Note 4)	(139,176)
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 5)	414,969
3 Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activity.	(6,036)
4 Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the statement of activity.	(97)
5 Under the modified accrual basis of accounting used in the 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, 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	(5,504)
Accrued interest on bonds and notes payable	4,233
Change in Net Assets of Governmental Activities	\$ <u>1,795,048</u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 52,406
Due from other funds (Note 3)	642,282
	<hr/>
Total Assets	\$ <u>694,688</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 650,607
Advances from other funds	5,000
Due to student clubs	<u>39,081</u>
	<hr/>
Total Liabilities	\$ <u><u>694,688</u></u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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

B. Basis of Presentation.

The school district's basic financial statements 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.

HUMPHREYS COUNTY 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. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

Title I - This fund is used to account for Title I funds set aside to provide local educational agencies (LEA) with extra resources to help improve instruction in high-poverty school and to ensure that poor and minority children have the same opportunity as other children to meet challenging state academic standards.

District Building Fund - This is a capital projects fund to account for specific capital expenditures as defined by the school board. Financial resources for this fund are from the school district general fund.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to 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 classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to 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 costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

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

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

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

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

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2005

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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 ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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

generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

As required, the School District has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures- and 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.

Cash and Cash Equivalents and Investments.

Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,438,839 and \$52,406, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$\$7,278,025 and Restricted Assets - \$160,814. The Restricted Assets represent the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$7,783,649.

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 for custodial credit risk. As of June 30, 2005, none of the district's bank balance was exposed to custodial credit risk.

HUMPHREYS COUNTY 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.

Investment Type	Rating	Maturities	Fair Value
Hancock Horizon U. S. Treasury Securities Mmkt Fund	AAAm	Less than 1 year	\$ 142,346
Total			\$ 142,346

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

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover the value of its investments. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005, none of the district's bank balance was exposed to custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2005, the district had the following investments:

Issuer	Reporting Fund	Fair Value	% of Total Investment
Hancock Bank	Debt Service	\$ 142,346	100%
Total		\$ 142,346	100%

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental funds:		
General fund	\$ 161,500	338,976
Title I fund	-	209,760
Other Governmental Funds	25,000	280,046
Agency Funds	642,282	-
Total Funds	\$ 828,782	828,782

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2005

B. Advances To/From Other Funds:

	Advance To	Advance From
Governmental funds:		
General fund	\$ 5,000	-
Agency Funds	-	5,000
Total Funds	\$ 5,000	5,000

C. Transfers In/Out.

	Transfer In	Transfers Out
Governmental Funds:		
General fund	\$ 90,186	1,632,476
Title I fund	-	42,044
District Building fund	1,500,000	
Other governmental funds	135,430	51,096
Total Funds	\$ 1,725,616	1,725,616

The transfers were mainly the results of indirect cost transfers and the district decision to transfer funds from the district maintenance fund to a capital project fund to allow for future capital renovations and acquisitions.

(4) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>					
Land	68,107				68,107
Total non-depreciable capital assets	68,107	-	-	-	68,107
<u>Depreciable capital assets:</u>					
Buildings	14,240,211				14,240,211
Building Improvements				27,104	27,104
Improvements other than buildings	511,055			(27,104)	483,951
Mobile equipment	1,174,320	176,752			1,351,072
Furniture and equipment	438,484	68,000	(9,687)		496,797
Total depreciable capital assets	16,364,070	244,752	(9,687)	-	16,599,135
<u>Less accumulated depreciation for:</u>					
Buildings	3,979,641	253,190		(18,431)	4,214,400
Building Improvements		1,084		18,431	19,515
Improvements other than buildings	160,411	19,358			179,769
Mobile equipment	704,335	75,212		46,708	826,255
Furniture and equipment	407,353	35,084	(9,590)	(67,217)	365,630
Total accumulated depreciation	5,251,740	383,928	(9,590)	(20,509)	5,605,569
Total depreciable capital assets, net	11,112,330	(139,176)	(97)	20,509	10,993,566
Governmental activities capital assets, net	\$ 11,180,437	(139,176)	(97)	20,509	11,061,673

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 266,392
Support services	105,299
Non-instructional	12,237
 Total depreciation expense	 \$ 383,928

A prior period adjustment was made to reclassify the acquisition of a heating and air conditioning system to the cafeteria in a prior year from improvement other than buildings to building improvements. In addition, other prior period adjustments to depreciation were made to correct the incorrect application of useful lives and salvage value calculations of various equipment, and to correct an error in the reporting of the retirement of accumulated depreciation of furniture and equipment as the retirement of accumulated depreciation of mobile equipment.

(5) 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	Balance 6-30-2005	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,845,000		180,000	3,665,000	190,000
B. Three mill notes payable	80,448		80,448	-	-
C. Building purpose notes payable	144,369		144,369	-	-
D. Other loans payable	45,682		10,152	35,530	10,152
E. Compensated absences payable	65,470	5,504		70,974	-
Total	\$ 4,180,969	5,504	414,969	3,771,504	200,152

A. 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, Series 1998	Varies	05-01-98	02-01-18	\$ 4,480,000	3,665,000
Total				\$ 4,480,000	3,665,000

HUMPHREYS COUNTY 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	190,000	168,396	358,396
2007	200,000	157,281	357,281
2008	205,000	146,328	351,328
2009	220,000	136,263	356,263
2010	230,000	126,390	356,390
2011 - 2015	1,320,000	462,555	1,782,555
2016 - 2018	1,300,000	117,030	1,417,030
Total	\$ 3,665,000	1,314,243	4,979,243

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 debt service fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1996 Promissory Note	6.625%	04-19-96	04-25-05	\$ 495,000	-
Total				\$ 495,000	-

C. Building purpose loans payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1996 Promissory Note	6.625%	04-19-96	07-10-05	\$ 625,000	-
Improvement to School Property Note	6.250%	01-19-01	01-09-05	500,000	-
Total				\$ 1,125,000	-

HUMPHREYS COUNTY SCHOOL DISTRICT

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

D. 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
Asbestos Loan	0.00%	04-20-89	11-20-09	\$ 182,728	35,330
Total				\$ 182,728	35,330

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

Year Ending June 30	Principal	Interest	Total
2006	10,152	-	10,152
2007	10,151	-	10,151
2008	10,152	-	10,152
2009	5,075	-	5,075
Total	\$ 35,530	-	35,530

This debt will be retired from the general fund.

E. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$643,916, \$635,663, and \$618,602, respectively, which equaled the required contributions for each year.

HUMPHREYS COUNTY SCHOOL DISTRICT

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

(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 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.

Year Ending June 30	Amount
2006	\$ 368,707
2007	366,907
2008	326,757
2009	208,865
2010	162,266
2011 – 2015	58,500
2016 – 2020	20,000
2021 – 2025	19,200
2026 – 2030	11,400
Thereafter	16,500
Total	\$ 1,559,102

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation(s)	Amount
1. Overstatement of expenses	\$ 20,509
2. Overstatement of revenue	(3,119)
3. Overstatement of expenses	1,197
Total	\$ 18,587

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

Explanations			
Major Funds:			
General Fund	Overstatement of revenue	\$	(3,119)
Title I Fund	Overstatement of expenditures	\$	669
Other Governmental Funds:			
	Overstatement of expenditures		528
	Total	\$	(1,922)

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$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.

(10) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because in some cases, the school districts which share townships with Humphreys County School District did not file lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships Humphreys County School District shares with other school districts, Humphreys County School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Humphreys County School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Humphreys County School District may be entitled to a portion of the sixteenth section revenues the other school districts received. Because for certain townships, none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY 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	\$ 2,017,422	2,019,422	1,959,770	2,000	(59,652)
State sources	6,872,577	7,054,245	6,985,854	181,668	(68,391)
Federal sources	38,000	38,000	43,844	-	5,844
Total Revenues	8,927,999	9,111,667	8,989,468	183,668	(122,199)
Expenditures:					
Instruction	4,378,126	4,844,712	4,323,580	(466,586)	521,132
Support services	3,574,893	3,576,219	3,088,592	(1,326)	487,627
Noninstructional services	6,978	6,978	1,183	-	5,795
Debt service:					
Principal	136,419	136,419	128,633	-	7,786
Interest			7,784		(7,784)
Other					
Total Expenditures	8,096,416	8,564,328	7,549,772	(467,912)	1,014,556
Excess (Deficiency) of Revenues Over Expenditures	831,583	547,339	1,439,696	(284,244)	892,357
Other Financing Sources (Uses):					
Sale of other property			398		398
Operating transfers in	278,583	278,583	90,186	-	(188,397)
Operating transfers out	(600,000)	(1,250,396)	(1,632,476)	(650,396)	(382,080)
Total Other Financing Sources (Uses)	(321,417)	(971,813)	(1,541,892)	(650,396)	(570,079)
Net Change in Fund Balances	510,166	(424,474)	(102,196)	(934,640)	322,278
Fund Balances:					
July 1, 2004		2,954,464	2,944,326	(2,954,464)	(10,138)
Prior period adjustments (Note 8)		(3,200)	(3,119)	3,200	81
July 1, 2004, as restated	-	2,951,264	2,941,207	(2,951,264)	(10,057)
June 30, 2005	\$ 510,166	2,526,790	2,839,011	(3,885,904)	312,221

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

HUMPHREYS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I
 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	-	-	300	-	300
Federal sources	1,557,355	2,080,706	1,246,470	523,351	(834,236)
Total Revenues	1,557,355	2,080,706	1,246,770	523,351	(833,936)
Expenditures:					
Instruction	793,142	980,531	723,980	(187,389)	256,551
Support services	666,736	989,659	459,068	(322,923)	530,591
Noninstructional services	44,748	58,763	23,323	(14,015)	35,440
Total Expenditures	1,504,626	2,028,953	1,206,371	(524,327)	822,582
Excess (Deficiency) of Revenues Over Expenditures	52,729	51,753	40,399	(976)	(11,354)
Other Financing Sources (Uses):					
Operating transfers out	(52,729)	(52,729)	(42,044)	-	10,685
Total Other Financing Sources (Uses)	(52,729)	(52,729)	(42,044)	-	10,685
Net Change in Fund Balances	-	(976)	(1,645)	(976)	(669)
Fund Balances:					
July 1, 2004, as restated	-	976	976	976	-
Prior period adjustments (Note 8)	-	-	669	-	669
July 1, 2004, as restated	-	976	1,645	976	669
June 30, 2005	\$ -	-	-	-	-

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2005

(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.

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY 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>		
Pass-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	\$ 64,025
Child nutrition cluster:		
School breakfast program	10.553	267,465
National school lunch program	10.555	639,552
Summer food service program for children	10.559	19,875
Total Child Nutrition Cluster		<u>926,892</u>
Total		<u>990,917</u>
Passed-through Mississippi Department of Education:		
Title 1-grants to local educational agencies	84.010	1,338,215
Vocational education - basic grants to states	84.048	63,305
Safe and drug-free schools and communities- state grants	84.186	17,726
Education for homeless children and youth	84.196	57,460
Even start - state educational agencies	84.213	136,873
Fund for the improvement of education	84.215	3,924
Fund for the improvement of education	84.215K	18,700
21st century community learning center program	84.287	90,832
Innovative education program strategies	84.298	10,008
Technology literacy challenge fund grants	84.318	189,932
Comprehensive school reform demonstration	84.332	130,166
Teacher induction program	84.336	5,000
Reading excellence	84.338	2,195
Reading first state grants	84.357	305,494
Rural education achievement program	84.358	65,696
Improving teacher quality - state grant	84.367	183,933
Total		<u>2,619,459</u>
Special education cluster:		
Special education - grants to states	84.027	447,874
Special education - preschool grants	84.173	17,874
Total		<u>465,748</u>
Total passed-through Mississippi Department of Education		<u>3,085,207</u>
Total U.S. Department of Education		<u>3,085,207</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Corporation for National and Community Service		
Learn and serve America - school and community based programs	94.004	7,769
Total Corporation for National and Community Service		<u>7,769</u>
Total for All Federal Awards		<u>\$ 4,083,893</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 expenditures amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2005 of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$35,531.

HUMPHREYS COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds
 For the Year Ended June 30, 2005

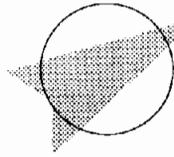
<u>Expenditures</u>		<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$	8,994,455	5,528,752	1,167,273	2,298,430
Other		<u>4,068,030</u>	<u>663,123</u>	<u>142,993</u>	<u>3,261,914</u>
Total	\$	<u><u>13,062,485</u></u>	<u><u>6,191,875</u></u>	<u><u>1,310,266</u></u>	<u><u>5,560,344</u></u>
Total number of students		1,752			
Cost per student	\$	7,456	3,534	748	3,174

HUMPHREYS COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HUMPHREYS COUNTY SCHOOL DISTRICT

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Day CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 547 • Canton, MS 39046
(601) 859-0474 • Fax (601) 859-0457

Diane Shaw Day, CPA

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

Superintendent and School Board
Humphreys County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Humphreys County School District as of and for the year ended June 30, 2005, which collectively comprise the Humphreys County School District's basic financial statements and have issued my report thereon dated December 5, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 2005-1 and 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions referred to above is a material weakness.

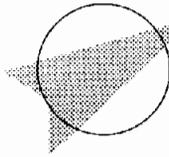
Compliance and Others Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance 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.

Day, CPA

Day, CPA
December 5, 2005



Day CERTIFIED PUBLIC ACCOUNTANT

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Diane Shaw Day, CPA

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
Humphreys County School District

Compliance

I have audited the compliance of the Humphreys County 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

As described in Finding 2005-3 in the Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding eligibility that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in my opinion, for the school district to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Humphreys 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 Humphreys 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 my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My 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 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. I did not note any matters involving internal control over compliance and its operation that I 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.

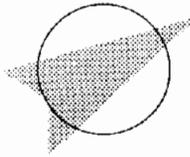

Day, CPA
December 5, 2005

HUMPHREYS COUNTY SCHOOL DISTRICT

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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Diane Shaw Day, CPA

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

Superintendent and School Board
Humphreys County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Humphreys County School District as of and for the year ended June 30, 2005, which collectively comprise the Humphreys County School District's basic financial statements and have issued my report thereon dated December 5, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures 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 \$12,537 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 my audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. My findings and recommendations and your responses are as follows:

1. FINDING

In accords with Section 29-3-121, Miss. Code Ann. (1972), in cases where a sixteenth section township is occupied by two or more school districts, the district superintendent is required to complete and file a list of educable children residing in the township with sharing school district's superintendent. The district provided no evidence of compliance with Section 29-3-121, Miss. Code Ann. (1972) for five (5) shared townships.

RECOMMENDATION

The district should comply with Section 29-3-121, which requires the district superintendent to notify the other sharing school district as to the number of district children residing in the shared township.

SCHOOL DISTRICT'S RESPONSE

The school district will comply with Section 29-3-121. This has been completed for the 2005-2006 school year and includes notification of all shared townships.

2. FINDING

In my test of the district's compliance with Section 37-57-107, Miss. Code Ann. (1972), I noted that the district exceeded the limitation on the cash receipt of ad valorem taxes allowed during the fiscal year ended June 30, 2005, by \$8,606.

RECOMMENDATION

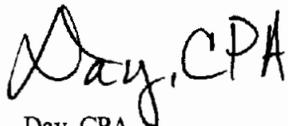
The district should comply with Section 37-57-107, which requires the district to insure that ad valorem taxes received are limited to an amount calculated in accords with this code section, or that the excess received above the allowable amount has been placed in escrow.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-57-107.

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.



Day, CPA
December 5, 2005

HUMPHREYS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS 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 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? | Yes |

Federal Awards:

- | | | |
|-----|--|-----------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Qualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(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? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Program name: Child nutrition cluster | |
| | CFDA # 10.553 | |
| | CFDA # 10.555 | |
| | CFDA # 10.559 | |
| | b. Program name: Title I Grants to Local Educational Agencies | |
| | CFDA # 84.010 | |
| | c. Program name: Reading First State Grants | |
| | CFDA # 84.357 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$500,000 |
| 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? | No |

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

Section 2: Financial Statement Findings

Reportable Conditions not considered to be material weaknesses

2005-1 Finding

A district 12 passenger van, asset code number 3328, did not contain a district identifying asset/bar code.

Recommendation

The district should insure that all district owned capital assets contain an identifying asset/bar code that have been assigned by the district and maintained in the accounting records of the district.

2005-2 Finding

Per my review of the general ledger history, I noted several instance where the district used and incorrect object code in the account number.

Recommendation

The district should insure the proper coding and recording of all expenditures.

Section 3: Federal Award Findings and Questioned Costs

Material Noncompliance

2005-3 Finding

Compliance Requirements: Eligibility

Program: Child Nutrition Cluster – CFDA# 10.553, 10.555, 10.559
U. S. Department of Education; Mississippi Department of Education

Questioned Costs: This finding did not result in any questioned cost.

Per my discussion with the Director of the Food Service Program, all participant applications for free and reduced meals were destroyed by a Tornado that destroyed the Food Service Program administrative office. Therefore, I was unable to test the district's records to support the eligibility of participants classified as free or reduced under the guidelines of the Child Nutrition Program.

Recommendation

The district should review it's disaster plan to identify and implement a more effective recovery program in the case of a natural disaster.

HUMPHREYS COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

HUMPHREYS COUNTY SCHOOL DISTRICT

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Humphreys County School District
Joyce B. McNair, Superintendent of Education
P. O. Box 678
Belzoni, MS 39038

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the HUMPHREYS COUNTY SCHOOL DISTRICT has prepared and hereby submits the following corrective active plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

Finding

Corrective Action Plan Details

2005-1

a. Name of Contact Person Responsible for Corrective Action:

Name	<u>Barbara Howard</u>
Title	<u>Business Manager</u>
Phone #	<u>(662) 247-8000</u>

b. Corrective Action Planned:

The Transportation Director has recorded bar code numbers on all district vehicles with a permanent material.

c. Anticipated Completion Date:

December 15, 2005

2005-2

a. Name of Contact Person Responsible for Corrective Action:

Name Barbara Howard
Title Business Manager
Phone # (662) 247-6000

b. Corrective Action Planned:

The Business Manger has conducted three training sessions on properly coding and recording of expenditures. This will be on-going professional development training.

c. Anticipated Completion Date:

September 12, 2005
October 31, 2005
November 21, 2005

2005-3

a. Name of Contact Person Responsible for Corrective Action:

Name Barbara Howard / Hazel Walton
Title Business Manager / Food Ser Dir
Phone # (662) 247-6000

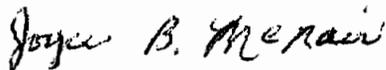
b. Corrective Action Planned:

The District has reviewed the disaster plan and has made several changes. The Food Service has been relocated to a permanent building and the applications will be stored in the Central Office vault. The Superintendent is pursuing a digital scanning program for all documents.

c. Effective date:

Relocation – September 7, 2005 for the relocation
December 20, 2005 to have free/reduce applications in Central Office.
Digital Scanning – by 2007

Sincerely,



Joyce B. McNair, Superintendent
Humphreys County School District