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HUMPHREYS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2006

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT 1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 5

FINANCIAL STATEMENTS 15
Statement of Net Assets 17
Statement of Activities 18
Balance Sheet – Governmental Funds 19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 22
Statement of Net Assets – Fiduciary Funds 23
Notes to the Financial Statements 25

REQUIRED SUPPLEMENTARY INFORMATION 39
Budgetary Comparison Schedule for the General Fund 41
Budgetary Comparison Schedule for the Title I Fund 42
Budgetary Comparison Schedule for the Summer Feeding Fund 43
Budgetary Comparison Schedule for the Title II Improving Teacher Quality 44
Budgetary Comparison Schedule for the High School Redesign 45
Notes to the Required Supplemental Information 46

SUPPLEMENTARY INFORMATION 47
Schedule of Expenditures of Federal Awards 49
Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds 50

REPORTS ON COMPLIANCE AND INTERNAL CONTROL 51
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards 53
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 55

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 57

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 63

AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS 69

HUMPHREYS COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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Day CERTIFIED PUBLIC ACCOUNTANT
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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 accompanying 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, 2006, 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, 2006, 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 August 31, 2007, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Day, CPA

Day, CPA
August 31, 2007

HUMPHREYS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DICUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. 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 decreased of $39,240 represents 0.23% decrease from fiscal year 2005.

  General revenues account for $10,637,585 in revenue, or 66.21% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $5,429,120 or 33.79% of total revenues.

- The District had $16,105,945 in expenses; only $5,429,120 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $10,637,585 were adequate to provide for these programs.

- Among major funds, the General Fund had $9,287,470 in revenues and $8,348,549 in expenditures. The General Fund's fund balance increased $1,217,589 over the prior year.

- Capital assets, net of accumulated depreciation, increased by $2,218,568.

- Long-term debt *decreased* by $197,394.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found in 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 that 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.* 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 in 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.

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 in 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.

[illegible]ct 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 in this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found 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 $16,780,184 as of June 30, 2006.

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. $9,805,241 of the District's net assets (58.43%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, 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. $3,418,181 of the District's net assets (20.37%) reflects it restricted net assets. A portion of the restricted net assets is expendable for school based activities, capital improvements, debt services, forestry improvements, and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable 16th section investment purposes. $3,556,762 of the District's net assets (21.20%) reflects it unrestricted net assets.

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 as of June 30, 2006 and 2005.

	Net Assets	
	2006	**2005**
Current assets	$ 7,623,137	$ 8,279,856
Capital assets, net	13,280,241	11,061,673
Total assets	20,903,378	19,341,529
Currents liabilities	549,084	1,307,360
Long-term debt outstanding	3,574,110	3,571,352
Total liabilities	4,123,194	4,878,712
Net assets:		
Investment in capital assets (net)	9,805,241	7,396,673
Restricted	3,418,181	4,333,637
Unrestricted	3,556,762	2,732,507
Total net assets	$ 16,780,184	$ 14,462,817

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

- The principal retirement of $200,151 of long-term debt.
- The recording of prior year equipment and building improvements, a net of $2,748,879.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were $16,066,705. The total cost of all programs and services was $16,105,945. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005, respectively.

	Change in Net Assets		Percentage
	June 30, 2006	June 30, 2005	Change
Revenues:			
Program revenues:			
Charges for services	$ 210,559	157,165	34.0%
Operating grants and contributions	5,218,561	4,435,256	17.7%
General revenues:			
Property taxes	1,820,282	1,834,326	-0.8%
Grants and contributions not restricted	7,672,994	7,747,989	-1.0%
Other	1,144,309	435,675	162.7%
Total revenues	16,066,705	14,610,411	10.0%
Expenses:			
Instruction	7,197,132	6,216,108	15.8%
Support services	7,581,098	5,314,489	42.6%
Non-instructional	1,159,857	1,090,104	6.4%
Sixteenth section	3,201	4,146	-22.8%
Interest on long-term liabilities	164,657	190,516	-13.6%
Total expenses	16,105,945	12,815,363	25.7%
Increase in net assets	(39,240)	1,795,048	-102.2%
Net Assets, July 1	16,819,424	12,667,769	32.8%
Net Assets, June 30	$ 16,780,184	14,462,817	16.0%

The significant current year transactions that had an impact on the Statement of Activities were the increased receipt of other revenue due to insurance loss recoveries.

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.

	Total Expenses		Net (Expenses) Revenue	
	2006	2005	2006	2005
Instruction	$ 7,197,132	6,216,108	(4,852,891)	(4,393,225)
Support services	7,581,098	5,314,489	(5,628,578)	(3,650,102)
Non-instructional	1,159,857	1,090,104	(27,498)	15,047
Sixteenth section	3,201	4,146	(3,201)	(4,146)
Interest on long-term liabilities	164,657	190,516	(164,657)	(190,516)
Total expenses	$ 16,105,945	12,815,363	(10,676,825)	(8,222,942)

- Net cost of governmental activities of $10,676,825, was financed by general revenue, which is made up of primarily property taxes of $1,820,282 and state revenue of $7,591,835.
- Investment earnings accounted for $206,781 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $7,141,294, an increase of $291,046 due primarily to insurance loss recoveries. $5,054,135 or 70.77% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $2,087,159 or 29.23% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The *increase* in fund balance in the General Fund for the fiscal year was $1,217,589, which was a result of insurance loss recoveries and renovations not being made in the current year. The fund balance of Other Governmental Funds showed an increase due mainly to insurance loss recoveries.

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 special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets before depreciation were $21,148,907, including school buildings, improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $4,481,665 from the previous year. Total accumulated depreciation as of June 30, 2006 was $7,868,666 and total depreciation expense for the year was $885,048, resulting in total net assets of $13,280,241.

Additional information of the District's capital assets can be found in Note 5 of this report.

Debt Administration. At June 30, 2006, the District had $3,574,110 in limited obligation bonds and other long-term debt outstanding, of which $210,152 is due within one year. Principal payments of $200,151 were made during the fiscal year.

The District maintains an AA- bond rating.

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 0.06 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

FINANCIAL STATEMENTS

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HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2006

		Primary Government Governmental Activities
Assets		
Cash and cash equivalents	$	6,796,115
Investments		155,303
Due from other governments		503,082
Other Receivable, net		5,000
Inventories and prepaid items		2,823
Restricted assets		160,814
Capital assets, net:		
Capital assets, not being depreciated:		
Land		68,107
Capital assets, net of accumulated depreciation:		
Buildings		9,756,311
Building Improvements		1,216,225
Improvements other than buildings		284,824
Mobile equipment		445,560
Furniture and equipment		1,509,214
Total Assets	$	20,903,378
Liabilities		
Accounts payable and accrued liabilities	$	412,356
Deferred revenue		69,487
Interest payable on long-term liabilities		67,241
Long-term liabilities, due within one year (Note 5)		
Capital related liabilities		200,000
Non-capital related liabilities		10,152
Long-term liabilities, due beyond one year (Note 5)		
Capital related liabilities		3,275,000
Non-capital related liabilities		88,958
Total Liabilities	$	4,123,194
Net Assets		
Investment in capital assets, net of related debt	$	9,805,241
Restricted net assets:		
Expendable:		
School - based activities		1,406,046
Capital improvement		1,457,095
Debt service		272,252
Forestry improvements		89,983
Unemployment benefits		31,990
Non-expendable:		
Sixteenth section		160,815
Unrestricted		3,556,762
Total Net Assets	$	16,780,184

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, 2006

Exhibit B

Functions/Programs		Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	$	7,197,132	133,015	2,211,226	(4,852,891)
Support services		7,581,098		1,952,520	(5,628,578)
Non-instructional		1,159,857	77,544	1,054,815	(27,498)
Sixteenth section		3,201			(3,201)
Interest and other charges related to long-term liabilities		164,657			(164,657)
Total governmental activities	$	16,105,945	210,559	5,218,561	(10,676,825)

General Revenues:		
Taxes:		
General purpose levies		1,820,282
Unrestricted grants and contributions:		
State		7,591,835
Federal		81,159
Unrestricted investment earnings		206,781
Sixteenth section sources		401,488
Other		536,040
Total General Revenues		10,637,585
Change in Net Assets		(39,240)
Net Assets - Beginning		14,462,817
Prior Period Adjustments:		2,356,607
Net Assets - Beginning - Restated		16,819,424
Net Assets - Ending	$	16,780,184

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2006

	Major Funds							
	General Fund	Title I Fund	Summer Feeding Fund	Title II Improving Teacher Quality	High School Redesign	District Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	$ 3,759,452			23,435	33,713	1,457,095	1,706,669	6,980,364
Investments							155,303	155,303
Due from other governments	108,123	56,483	31,866				283,175	479,647
Due from other funds	186,554						31,866	218,420
Advance to other funds	5,000							5,000
Inventories and prepaid items							2,823	2,823
Total Assets	$ 4,059,129	56,483	31,866	23,435	33,713	1,457,095	2,179,836	7,841,557
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	$ 403,257						9,099	412,356
Due to other funds		56,483	31,866	23,435			106,636	218,420
Deferred revenue					33,713		35,774	69,487
Total Liabilities	403,257	56,483	31,866	23,435	33,713	-	151,509	700,263
Fund Balances:								
Reserved for:								
Advances	5,000							5,000
Inventory							2,823	2,823
Capital Projects funds						1,457,095		1,457,095
Debt Service funds							339,453	339,453
Unemployment benefits							31,990	31,990
Forestry improvements							89,983	89,983
Permanent funds							160,815	160,815
Unreserved:								
Undesignated, reported in:								
General fund	3,650,872							3,650,872
Special Revenue funds							1,403,263	1,403,263
Total Fund Balances	3,655,872	-	-	-	-	1,457,095	2,028,327	7,141,294
Total Liabilities and Fund Balances	$ 4,059,129	56,483	31,866	23,435	33,713	1,457,095	2,179,836	7,841,557

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

		Amount
Total Fund Balance - Governmental Funds	$	7,141,294
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 $7,868,666.		13,280,241
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(3,574,110)
3 Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(67,241)
Total Net Assets - Governmental Activities	$	16,780,184

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds							
	General Fund	Title I Fund	Summer Feeding Fund	Title II Improving Teacher Quality	High School Redesign	District Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Local sources	$ 2,136,613	180					90,844	2,227,637
State sources	7,014,538						1,013,757	8,028,295
Federal sources	136,319	1,634,468	31,866	307,792	97,782		2,660,575	4,868,802
Sixteenth section sources							426,035	426,035
Total Revenues	9,287,470	1,634,648	31,866	307,792	97,782	-	4,191,211	15,550,769
Expenditures:								
Instruction	4,534,804	989,965		139,270	32,245		1,231,784	6,928,068
Support services	3,803,589	627,359	131	168,522	65,537	719,043	1,437,205	6,821,386
Noninstructional services	4	17,324	31,735				1,070,961	1,120,024
Sixteenth section							3,201	3,201
Facilities acquisition and construction						334,375		334,375
Debt service:								
Principal	10,152						190,000	200,152
Interest							168,396	168,396
Other							730	730
Total Expenditures	8,348,549	1,634,648	31,866	307,792	97,782	1,053,418	4,102,277	15,576,332
Excess (Deficiency) of Revenues Over Expenditures	938,921	-	-	-	-	(1,053,418)	88,934	(25,563)
Other Financing Sources (Uses):								
Insurance loss recoveries	457,731						57,425	515,156
Sale of other property	780							780
Operating transfers in	112,876						285,942	398,818
Operating transfers out	(292,219)						(106,599)	(398,818)
Other financing uses	(500)						(198,827)	(199,327)
Total Other Financing Sources (Uses)	278,668	-	-	-	-	-	37,941	316,609
Net Change in Fund Balances	1,217,589	-	-	-	-	(1,053,418)	126,875	291,046
Fund Balances:								
July 1, 2005	2,839,011					2,510,513	1,902,655	7,252,179
Prior period adjustments	(400,728)						635	(400,093)
July 1, 2005, as restated	2,438,283	-	-	-	-	2,510,513	1,903,290	6,852,086
Decrease in reserve for inventory							(1,838)	(1,838)
June 30, 2006	$ 3,655,872	-	-	-	-	1,457,095	2,028,327	7,141,294

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2006

		Amount
Net Change in Fund Balances - Governmental Funds		$ 291,046
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 assest purchase amounted to $395,626 and the depreciation expense amounted to $885,048.	(489,422)
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.	200,151
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.	(1,838)
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.	(40,889)
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	(2,757)
	Accrued interest on bonds and notes payable	4,469
Change in Net Assets of Governmental Activities		$ (39,240)

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Net Assets

June 30, 2006

	Agency Funds
Assets	
Cash and cash equivalents	$ 548,594
Total Assets	$ 548,594
Liabilities	
Accounts payable and accrued liabilities	$ 508,204
Advances from other funds	5,000
Due to student clubs	35,390
Total Liabilities	$ 548,594

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

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(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. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting 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 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.

Summer Feeding – This fund is used to account for the specific expenditures incurred in providing nutritious meals during the summer in accords with program guidelines.

Title II Improving Teacher Quality – This fund is used to account for the proceeds of specific federal revenue that are legally restricted for the specific expenditures of high quality teachers program.

High School Redesign – This fund is used to account for the proceeds of specific federal revenue that are legally restricted for the specific expenditures of rigor, relevance and relationship in instructional practices.

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.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications 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.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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 acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

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

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

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

		Capitalization 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.

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

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

Reserved for unemployment benefits – An account that represents a portion of fund balance that is legally restricted for the payment of unemployment benefits.

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

As required, the Canton Public School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents and Investments.

Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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 $6,980,364 and $548,594, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents -- $6,796,115 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 $8,511,955.

Custodial Credit Risk – *Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. 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. As of June 30, 2006, none of the district's bank balance was exposed to custodial credit risk.

Investments.

As of June 30, 2006, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Rating	Maturies		Fair Value
Hancock Horizon U. S. Treasury Securities Mmkt Fund	AAAm	Less than 1 year	$	155,303
Total			$	155,303

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 the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2006, 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, 2006, the district had the following investments:

Issuer	Reporting Fund		Fair Value	% of Total Investment
Hancock Bank	Debt Service	$	155,303	100%
Total		$	155,303	100%

(4) 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	$	186,554	-
Title I		-	56,483
Summer Feeding		-	31,866
Title II Improving Teacher Quality		-	23,435
Other Governmental Funds		31,866	106,636
Total Funds	$	218,420	218,420

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	$	112,876	292,219
Other governmental funds		285,942	106,599
Total Funds	$	398,818	398,818

The transfers were mainly the results of transfers made to cover vocational education and special education expenditures; and the transfer of excess advalorem tax receipts of prior years in the debt service fund to the district maintenance fund.

(5) Capital Assets.

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

	Balance 7/1/2005	Additions	Retirements	Adjustments	Balance 6/30/2006
Non-depreciable capital assets:					
Land	68,107				68,107
Total non-depreciable capital assets	68,107	-	-	-	68,107
Depreciable capital assets:					
Buildings	14,240,211		(68,872)		14,171,339
Building Improvements	27,104	334,375		1,058,000	1,419,479
Improvements other than buildings	483,951				483,951
Mobile equipment	1,351,072	19,713	(228,047)		1,142,738
Furniture and equipment	496,797	41,538	(17,743)	3,342,701	3,863,293
Total depreciable capital assets	16,599,135	395,626	(314,662)	4,400,701	21,080,800
Less accumulated depreciation for:					
Buildings	4,214,400	251,594	(50,966)		4,415,028
Building Improvements	19,515	56,779		126,960	203,254
Improvements other than buildings	179,769	19,358			199,127
Mobile equipment	826,255	76,165	(205,242)		697,178
Furniture and equipment	365,630	481,152	(17,565)	1,524,862	2,354,079
Total accumulated depreciation	5,605,569	885,048	(273,773)	1,651,822	7,868,666
Total depreciable capital assets, net	10,993,566	(489,422)	(40,889)	2,748,879	13,212,134
Governmental activities capital assets, net	11,061,673	(489,422)	(40,889)	2,748,879	13,280,241

Depreciation expense was charged to the following governmental functions:

		Amount
Instruction	$	290,903
Support services		581,908
Non-instructional		12,237
Total depreciation expense	$	885,048

The prior period adjustments are due mainly to the recording of equipment and building improvements acquired through the E-rate discount program in prior years, and the depreciation of these capital assets. In June, 2002, the District started receiving certain equipment to be installed in the District to establish and support a Distance Learning/ Video and Internet Program System in the District, which was mainly funded by the E-rate Program. The installation of cabling, wiring and equipment was completed during the fiscal year ended June 30, 2003. Because the District did not received an invoice for payment of their portion of the cost of the equipment and improvements, nor a detail listing of the cost of each item of equipment purchased by the District, the District failed to accrue this expenditure and to properly recognize the capital assets during the prior fiscal years. Communications received by the District stated that on May 27, 2004, a settlement agreement was entered into with the Department of Justice by the vendor resolving the investigation over the vendor's involvement in purchasing activities funded mainly through the

Universal Fund for Schools and Libraries, known as E-Rate. Due to an ongoing investigation, the district was unable to get the necessary information from the vendor on the cost of the purchase to determine the proper recording of the transactions. The equipment listing, including the cost of the equipment, was provided by the vendor to the District in a communication dated December 26, 2006. The investigation focused on bid practices regarding an E-Rate bid submitted by the vendor to several school districts. A communication dated December 5, 2006, from a representative of the vendor to the U. S. Department of Justice finally provides the co-payment amount owed by the District on this E-rate purchase, stating that the total required co-payment from the District would be $400,727.91. This payment was made by the District on February 13, 2007.

(6) Long-term liabilities.

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

		Balance 7-1-2005	Additions	Reductions	Balance 6-30-2006	Amounts due within one year
A.	Limited obligation bonds payable	$ 3665,000		190,000	3,475,000	200,000
B.	Other loans payable	35,530		10,151	25,379	10,152
C.	Compensated absences payable	70,974	2,757		73,731	-
	Total	$ 3,771,504	2,757	200,151	3,574,110	210,152

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	3,475,000
Total				$ 4,480,000	3,475,000

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

Year Ending June 30	Principal	Interest	Total
2007	200,000	151,581	351,581
2008	205,000	141,075	346,075
2009	220,000	131,450	351,450
2010	230,000	121,330	351,330
2011	240,000	110,530	350,530
2012 – 2016	1,385,000	321,910	1,706,910
2017 - 2018	995 ,000	65,436	1,060,436
Total	$ 3,475,000	1,043,312	4,518,312

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. 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	25,379
Total				$	182,728	25,379

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

Year Ending June 30		Principal	Interest	Total
2007		10,152	-	10,152
2008		10,152	-	10,152
2009		5,075		5,075
Total	$	25,379	-	25,379

This debt will be retired from the general fund.

C. 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 rate for fiscal year ending June 30, 2006, was 10.75% 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, 2006, 2005 and 2004 were $765,919, $643,916, and $635,663, respectively, which equaled the required contributions for each year.

(8) 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
2007	$	364,157
2008		326,757
2009		208,866
2010		162,265
2011		11,700
2012 – 2016		50,800
2017 – 2021		20,000
2022 – 2026		18,800
2027 – 2031		9,700
Thereafter		16,200
Total	$	1,189,245

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

	Explanation(s)		Amount
1.	Understatement of expenses	$	(400,728)
2.	Understatement of revenue		635
3.	Overstatement of accrued interest expense		7,821
4.	Understatement of capital asset acquisition, net		2,748,879
	Total	$	2,356,607

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

	Explanations			
Major Funds:				
General Fund	Understatement of expenditures		$	(400,728)
Other Governmental Funds:	Understatement of revenue			635
		Total	$	(400,093)

(10) 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 119 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 $500,000. For a claim exceeding $500,000, 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

REQUIRED SUPPLEMENTARY INFORMATION

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HUMPHREYS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP Basis)	Variances Positive (Negative) Original to Final	Variances Positive (Negative) Final to Actual
Revenues:					
Local sources	$ 2,021,272	2,151,538	2,136,613	130,266	(14,925)
State sources	7,434,892	7,452,057	7,014,538	17,165	(437,519)
Federal sources	62,000	167,160	136,319	105,160	(30,841)
Total Revenues	9,518,164	9,770,755	9,287,470	252,591	(483,285)
Expenditures:					
Instruction	5,008,585	5,128,316	4,534,804	(119,731)	593,512
Support services	3,760,479	3,760,479	3,803,589	-	(43,110)
Noninstructional services			4	-	(4)
Debt service:					
Principal	10,152	10,152	10,152	-	-
Interest					-
Other					
Total Expenditures	8,779,216	8,898,947	8,348,549	(119,731)	550,398
Excess (Deficiency) of Revenues Over Expenditures	738,948	871,808	938,921	132,860	67,113
Other Financing Sources (Uses):					
Insurance loss recoveries		458,000	457,731	458,000	(269)
Sale of other property			780	-	780
Operating transfers in	402,455	143,798	112,876	(258,657)	(30,922)
Operating transfers out	(1,130,072)	(295,072)	(292,219)	835,000	2,853
			(500)	-	(500)
Total Other Financing Sources (Uses)	(727,617)	306,726	278,668	1,034,343	(28,058)
Net Change in Fund Balances	11,331	1,178,534	1,217,589	1,167,203	39,055
Fund Balances:					
July 1, 2005	2,839,011	2,839,011	2,839,011	-	-
Prior period adjustments			(400,728)	-	(400,728)
July 1, 2005, as restated	2,839,011	2,839,011	2,438,283	-	(400,728)
June 30, 2006	$ 2,850,342	4,017,545	3,655,872	1,167,203	(361,673)

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, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	-	180	180	180	-
Federal sources	1,634,091	2,618,861	1,634,468	984,770	(984,393)
Total Revenues	1,634,091	2,619,041	1,634,648	984,950	(984,393)
Expenditures:					
Instruction	751,028	1,169,358	989,965	(418,330)	179,393
Support services	788,835	1,258,018	627,359	(469,183)	630,659
Noninstructional services	41,499	49,809	17,324	(8,310)	32,485
Total Expenditures	1,581,362	2,477,185	1,634,648	(895,823)	842,537
Excess (Deficiency) of Revenues Over Expenditures	52,729	141,856	-	89,127	(141,856)
Other Financing Sources (Uses):					
Operating transfers out	(52,729)	(56,813)		(4,084)	56,813
Total Other Financing Sources (Uses)	(52,729)	(56,813)	-	(4,084)	56,813
Net Change in Fund Balances	-	85,043	-	85,043	(85,043)
Fund Balances:					
July 1, 2005, as restated	-	-		-	-
Prior period adjustments	-	-		-	-
July 1, 2005, as restated	-	-	-	-	-
June 30, 2006	$ -	85,043	-	85,043	(85,043)

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Summer Feeding Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	31,867	31,867	31,866	-	(1)
Total Revenues	31,867	31,867	31,866	-	(1)
Expenditures:					
Support services	132	132	131	-	1
Noninstructional services	31,735	31,735	31,735	-	-
Total Expenditures	31,867	31,867	31,866	-	1
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating transfers in				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2005	-			-	-
Prior period adjustments					
July 1, 2005, as restated	-	-	-	-	-
June 30, 2006	$ -	-	-	-	-

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Title II Improving Teacher Quality
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	309,906	724,324	307,792	414,418	(416,532)
Total Revenues	309,906	724,324	307,792	414,418	(416,532)
Expenditures:					
Instruction	193,684	232,411	139,270	(38,727)	93,141
Support services	116,222	301,488	168,522	(185,266)	132,966
Total Expenditures	309,906	533,899	307,792	(223,993)	226,107
Excess (Deficiency) of Revenues Over Expenditures	-	190,425	-	190,425	(190,425)
Other Financing Sources (Uses):					
Operating transfers in				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	190,425	-	190,425	(190,425)
Fund Balances:					
July 1, 2005	-			-	-
Prior period adjustments					
July 1, 2005, as restated	-	-	-	-	-
June 30, 2006	$ -	190,425	-	190,425	(190,425)

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
High School Redesign
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	133,690	133,690	97,782	-	(35,908)
Total Revenues	133,690	133,690	97,782	-	(35,908)
Expenditures:					
Instruction	57,690	57,690	32,245	-	25,445
Support services	76,000	76,000	65,537	-	10,463
Total Expenditures	133,690	133,690	97,782	-	35,908
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating transfers in				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2005	-			-	-
Prior period adjustments					
July 1, 2005, as restated	-	-	-	-	-
June 30, 2006	$ -	-	-	-	-

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, 2006

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, 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 October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

HUMPHREYS COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Pass-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	$ 55,493
Child nutrition cluster:		
School breakfast program	10.553	254,034
National school lunch program	10.555	619,453
Summer food service program for children	10.559	31,866
Total Child Nutrition Cluster		905,353
Pass-through Newton County School District		
Distance Learning and Telemedicine Loans and Grants	10.855	48,389
Total U.S. Department of Agriculture		1,009,235
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title 1-grants to local educational agencies	84.010	1,739,468
Vocational education - basic grants to states	84.048	49,436
Safe and drug-free schools and communities- state grants	84.186	70,191
Education for homeless children and youth	84.196	69,321
Even start - state educational agencies	84.213	169,853
Fund for the improvement of education	84.215	17,201
21st century community learning center program	84.287	119,926
Innovative education program strategies	84.298	52,306
Technology literacy challenge fund grants	84.318	221,892
Comphrehensive school reform demonstration	84.332	73,212
Teacher induction program	84.336	8,000
Class size reduction	84.340	9,466
Reading first state grants	84.357	230,143
Rural education achievement program	84.358	68,787
Grants for state assessments and related activities	84.369	17,128
Improving teacher quality - state grant	84.367	307,792
Hurricane Education Recovery	84.938	70,938
Total		3,295,060
Special education cluster:		
Special education - grants to states	84.027	416,612
Special education - preschool grants	84.173	23,244
Total		439,856
Total U.S. Department of Education		3,734,916
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	31,159
Total		31,159
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	10,050
Total		10,050
Total U.S. Department of Health and Human Services		41,209
U.S. Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	29,674
Total U.S. Department of Homeland Security		29,674
Total for All Federal Awards		$ 4,815,034

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, 2006 of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was $25,379.

Humphreys County School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2006

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	9,576,774	7,102,198	637,618	581,248	1,255,710
Other		5,999,558	2,069,387	194,741	29,168	3,706,262
Total	$	15,576,332	9,171,585	832,359	610,416	4,961,972
Total number of students *		1,760				
Cost per student	$	8,850	5,211	473	347	2,819

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

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

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

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

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

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

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

HUMPHREYS COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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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, 2006, which collectively comprise the Humphreys County School District's basic financial statements and have issued my report thereon dated August 31, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting 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 2006-1, 2006-2 and 2006-3.

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, of the reportable conditions described in the findings referred to above, I consider Finding 2006-1 to be 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*. However, I noted certain immaterial instances of noncompliance or other matters that I have reported to management of the school district in a separate letter dated August 31, 2007, which is included in this report.

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

Day, CPA

Day, CPA
August 31, 2007

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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
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, 2006. 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.

In my opinion, 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, 2006.

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

Day, CPA
August 31, 2007

HUMPHREYS COUNTY SCHOOL DISTRICT

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

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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, 2006, which collectively comprise the Humphreys County School District's basic financial statements and have issued my report thereon dated August 31, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Section 37-9-18(3), 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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported $16,949 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

The district allowed individual teachers to expend educational enhancement funds to purchase instructional supplies in excess of the individual teacher's allocation as determined by the district. The total amount expended in excess of the amount allocated to teachers of Humphreys County High School was $1,893.06.

RECOMMENDATION

The district should comply with Section 37-61-33-(3)(a)(iii), and insure that educational enhancement funds for instructional supplies are properly allocated and expended.

SCHOOL DISTRICT'S RESPONSE

The district will insure that educational enhancement funds for instructional supplies are properly allocated and expended.

2. 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 one of its 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 district will comply with Section 29-3-121, and insure notification to all sharing school district of the number of district children residing in shared townships.

3. FINDING

The district did not have surety bond coverage for one (1) of its board members. This is a violation of Sections 37-6-15 , Miss. Code Ann. (1972).

RECOMMENDATION

The district should comply with Sections 37-6-15, Miss. Code Ann. (1972), which requires surety bond coverage for each board member of the district.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-6-15, and insure all board members of the district have surety bond coverage.

4. FINDING

The district transferred $72,537.45 from the debt service fund to the district maintenance fund. This transfer was the result of excess advalorem tax for debt service being received by the district from the county in prior years. Sections 27-105-367, Miss. Code Ann. (1972) requires the district to advertise when transferring debt service advalorem tax in excess of the debt requirement to the district maintenance general operating fund, when the transfer exceeds $2,500.00. The district did not advertise and therefore, did not comply with Sections 27-105-367, Miss. Code Ann. (1972).

RECOMMENDATION

The district should comply with Sections 27-105-367, Miss. Code Ann. (1972), which requires advertisement of a debt service advalorem tax transfer prior to the transfer being made by the district.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 27-105-367, and insure advertisement of a debt service ad-valorem tax transfer prior to the transfer being made.

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

Day, CPA
August 31, 2007

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HUMPHREYS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

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?	Yes
	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:	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. 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	
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

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 2: Financial Statement Findings

Material Weakness

2006-1 Finding

The district acquired equipment and building improvements during the fiscal year ended June 30, 2003, that was 10% funded by the district and 90% funded by the federal government under its E-rate Program. The equipment, building improvement, and depreciation of these capital assets were not recorded by the district until the fiscal year ended June 30, 2006. The district's portion of the cost of the acquired equipment and building improvements was not recorded as of June 30, 2006. An audit adjustment was made to correct this understatement of prior year expenditures and claims payable. By not recording these transactions in the proper accounting year, the expenditures, revenues, claims payable and net capital assets accounts of the district were significantly understated in prior years.

Recommendation

The district should implement procedures to insure that the cost of equipment and building improvements, the depreciation of such assets, associated revenue and liabilities are accounted for in a manner consistent with generally accepted accounting principals.

Reportable Conditions not considered to be material weaknesses

2006-2 Finding

As stated in the prior year, per my review of the general ledger history, I noted several instances where the district used an incorrect object code in the account number.

Recommendation

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

2006-3 Finding

I noted the following exceptions during my examination of sixty (60) non-payroll expenditures transactions selected for test purposes:

2 Lack of a purchase order
1 Lack of invoice to support expenditure
1 Paid using a copy of an invoice
1 Invoice was not properly cancelled
10 Lack of documentation of receipt of the item

Recommendation

The district should implement policies and procedures to insure all necessary supporting documentation, including purchase order, where appropriate, proper supporting invoice, and receiving documentation, is maintained by the district and made available for audit. The district should also insure that invoices are properly cancelled to aid in the prevention of duplicated payments.

Section 3: Federal Award Findings and Questioned Costs

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

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HUMPHREYS COUNTY SCHOOL DISTRICT

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

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

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section__.315(b) of OMD 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, 2006.

Finding	Corrective Action Plan Details
2006-1	**a.. Name of Contact Person Responsible for the Corrective Action:** Name Barbara Howard Title Business Manager Phone # 662-247-6000 **b. Corrective Action Planned:** The district had not recorded the acquired equipment and building improvements because we did not have a completed list of equipment and associated costs, nor did we have the invoice for the districts share. After diligently seeking to get the needed records and seeking help from every avenue available, we were able to obtain the records necessary to record the equipment and improvements and we received the invoice necessary for the district to make payment for their share. All corrections have been made. **c. Anticipated Completion Date:** August 31, 2007

2006-2

a. Name of Contact Person Responsible for the Corrective Action:

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

b. Corrective Action Planned:

The district will insure proper coding and recording of all expenditures. On-going training for checking proper coding is taking place and we are putting every effort in correct coding and recording of expenditures.

c. Effective date:

August 31, 2007

2006-3

a. Name of Contact Person Responsible for the Corrective Action:

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

b. Corrective Action Planned:

The district has implemented policies and procedures to insure all necessary documentation to cover purchases, expenditures and receiving.

c. Effective date:

September 30, 2007

Humphreys County School District
Joyce B. McNair, Superintendent of Education

P. O. Box 678 ♦ Belzoni, MS 39038 ♦ 662-247-6000 ♦ Fax: 662-247-6004

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section___.315(b) of OMB Circular A-133, the Humphreys County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006.

Finding	Status
2005-3	Corrective action was taken.

Sincerely,

Joyce B. McNair

Joyce B. McNair, Superintendent
Humphreys County School District