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HUMPHREYS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

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HUMPHREYS COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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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, 2007, 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, 2007, 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 May 9, 2008, 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 (14) 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
May 9, 2008

HUMPHREYS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2007. 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 $180,079, which represents 1.07% decrease from fiscal year 2006.
- General revenues account for $10,599,732 in revenue, or 66.04% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $5,451,683 or 33.96% of total revenues.
- The District had $16,231,494 in expenses; only $5,451,683 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $10,599,732 and the beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had $9,854,219 in revenues and $8,184,149 in expenditures. The General Fund's fund balance increased $452,693 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by $136,104.
- Long-term debt *decreased* by $207,395.

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.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found 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 $16,618,110 as of June 30, 2007.

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. $9,869,137 of the District's net assets (59.39%) 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. $2,663,615 of the District's net assets (16.03%) 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. $4,085,358 of the District's net assets (24.58%) 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, 2007 and 2006.

	Net Assets	
	2007	**2006**
Current assets	$ 7,303,056	$ 7,623,137
Capital assets, net	13,144,137	13,280,241
Total assets	20,447,193	20,903,378
Currents liabilities	462,368	549,084
Long-term debt outstanding	3,366,715	3,574,110
Total liabilities	3,829,083	4,123,194
Net assets:		
Investment in capital assets (net)	9,869,137	9,805,241
Restricted	2,663,615	3,418,181
Unrestricted	4,085,358	3,556,762
Total net assets	$ 16,618,110	$ 16,780,184

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

- The principal retirement of $210,152 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were $16,051,415. The total cost of all programs and services was $16,231,494. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006, respectively.

		Change in Net Assets		Percentage
		June 30, 2007	June 30, 2006	Change
Revenues:				
Program revenues:				
Charges for services	$	216,454	210,559	-4.3%
Operating grants and contributions		5,235,229	5,218,561	-3.3%
General revenues:				
Property taxes		1,913,266	1,820,282	5.1%
Grants and contributions not restricted		8,058,804	7,672,994	9.0%
Other		627,662	1,144,309	-30.9%
Total revenues		16,051,415	16,066,705	1.6%
Expenses:				
Instruction		6,921,588	7,197,132	-4.2%
Support services		7,973,149	7,581,098	3.8%
Non-instructional		1,169,007	1,159,857	1.3%
Sixteenth section		14,477	3,201	352.2%
Interest on long-term liabilities		153,273	164,657	-6.9%
Total expenses		16,231,494	16,105,945	0.0%
Decrease in net assets		(180,079)	(39,240)	-637.4%
Net Assets, July 1		16,798,189	16,819,424	-1.7%
Net Assets, June 30	$	16,618,110	16,780,184	-0.2%

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	
	2007	2006	2007	2006
Instruction	$ 6,921,588	7,197,132	(4,617,299)	(4,852,891)
Support services	7,973,149	7,581,098	(6,018,127)	(5,628,578)
Non-instructional	1,169,007	1,159,857	23,365	(27,498)
Sixteenth section	14,477	3,201	(14,477)	(3,201)
Interest on long-term liabilities	153,273	164,657	(153,273)	(164,657)
Total expenses	$ 16,231,494	16,105,945	(10,779,811)	(10,676,825)

- Net cost of governmental activities ($10,779,811), was financed by general revenue, which is made up of primarily property taxes ($1,913,266) and state revenue ($7,807,300).

- Investment earnings accounted for $184,760 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 $6,903,226, a decrease of $238,068, due mainly to capital project expenditures. $5,938,497 or 86.02% 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 $964,729 or 13.98% 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 $452,693.

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, 2007, the District's total capital assets before depreciation were $21,695,510, including school buildings, improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $546,603 from the previous year. Total accumulated depreciation as of June 30, 2007 was $8,551,373 and total depreciation expense for the year was $910,544, resulting in total net assets of $13,144,137.

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

Debt Administration. At June 30, 2007, the District had $3,366,715 in limited obligation bonds and other long-term debt outstanding, of which $215,152 is due within one year. Principal payments of $210,152 were made during the fiscal year.

The District maintains an AA- bond rating.

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage has increased 0.06 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, 2007

		Primary Government Governmental Activities
Assets		
Cash and cash equivalents	$	6,285,765
Investments		170,645
Due from other governments		663,576
Other Receivable, net		12,496
Inventories and prepaid items		9,759
Restricted assets		160,815
Capital assets, net:		
Capital assets, not being depreciated:		
Land		68,107
Capital assets, net of accumulated depreciation:		
Buildings		9,310,978
Building Improvements		1,864,992
Improvements other than buildings		265,466
Mobile equipment		541,814
Furniture and equipment		1,092,780
Total Assets	$	20,447,193
Liabilities		
Accounts payable and accrued liabilities	$	271,399
Unearned revenue		128,431
Interest payable on long-term liabilities		62,538
Long-term liabilities, due within one year		
Capital related liabilities		205,000
Non-capital related liabilities		10,152
Long-term liabilities, due beyond one year		
Capital related liabilities		3,070,000
Non-capital related liabilities		81,563
Total Liabilities	$	3,829,083
Net Assets		
Investment in capital assets, net of related debt	$	9,869,137
Restricted net assets:		
Expendable:		
School - based activities		1,784,438
Capital improvement		290,431
Debt service		292,862
Forestry improvements		92,259
Unemployment benefits		42,810
Non-expendable:		
Sixteenth section		160,815
Unrestricted		4,085,358
Total Net Assets	$	16,618,110

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, 2007

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	$ 6,921,588	97,147	2,207,142	(4,617,299)
Support services	7,973,149		1,955,022	(6,018,127)
Non-instructional	1,169,007	119,307	1,073,065	23,365
Sixteenth section	14,477			(14,477)
Interest and other charges related to long-term liabilities	153,273			(153,273)
Total governmental activities	$ 16,231,494	216,454	5,235,229	(10,779,811)

General Revenues:	
Taxes:	
General purpose levies	1,913,266
Unrestricted grants and contributions:	
State	7,807,300
Federal	251,504
Unrestricted investment earnings	184,760
Sixteenth section sources	425,778
Other	17,124
Total General Revenues	10,599,732
Change in Net Assets	(180,079)
Net Assets - Beginning	16,780,184
Prior Period Adjustments:	18,005
Net Assets - Beginning - Restated	16,798,189
Net Assets - Ending	$ 16,618,110

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, 2007

	Major Funds					
	General Fund	Title I Fund	Sixteenth Section Interest Fund	District Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,855,667	120	1,100,083	432,092	1,058,618	6,446,580
Investments					170,645	170,645
Due from other governments	162,507	173,194			327,875	663,576
Other receivables					7,496	7,496
Due from other funds	195,499				55,500	250,999
Advance to other funds	5,000					5,000
Inventories and prepaid items					9,759	9,759
Total Assets	$ 4,218,673	173,314	1,100,083	432,092	1,629,893	7,554,055
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 41,600	43,731		141,661	44,907	271,899
Due to other funds		129,583			120,916	250,499
Unearned revenue					128,431	128,431
Total Liabilities	41,600	173,314	-	141,661	294,254	650,829
Fund Balances:						
Reserved for:						
Advances	5,000					5,000
Inventory					9,759	9,759
Ad valorem	8,255					8,255
Capital Projects funds				290,431		290,431
Debt Service funds					355,400	355,400
Unemployment benefits					42,810	42,810
Forestry improvements					92,259	92,259
Permanent funds					160,815	160,815
Unreserved:						
Undesignated, reported in:						
General fund	4,163,818					4,163,818
Special Revenue funds			1,100,083		674,596	1,774,679
Total Fund Balances	4,177,073	-	1,100,083	290,431	1,335,639	6,903,226
Total Liabilities and Fund Balances	$ 4,218,673	173,314	1,100,083	432,092	1,629,893	7,554,055

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, 2007

		Amount
Total Fund Balance - Governmental Funds	$	6,903,226
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 $8,551,373.		13,144,137
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(3,366,715)
3 Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(62,538)
Total Net Assets - Governmental Activities	$	16,618,110

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, 2007

	Major Funds					
	General Fund	Title I Fund	Sixteenth Section Interest Fund	District Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	$ 2,155,035				133,658	2,288,693
State sources	7,446,860				1,066,987	8,513,847
Federal sources	252,324	1,701,481			2,834,319	4,788,124
Sixteenth section sources			328,790		131,962	460,752
Total Revenues	9,854,219	1,701,481	328,790	-	4,166,926	16,051,416
Expenditures:						
Instruction	4,524,331	824,136			1,251,239	6,599,706
Support services	3,649,666	799,621		1,519,664	1,513,898	7,482,849
Noninstructional services		57,842			1,143,344	1,201,186
Sixteenth section			9,500		4,977	14,477
Facilities acquisition and construction				647,000		647,000
Debt service:						
Principal	10,152				200,000	210,152
Interest					157,281	157,281
Other					695	695
Total Expenditures	8,184,149	1,681,599	9,500	2,166,664	4,271,434	16,313,346
Excess (Deficiency) of Revenues Over Expenditures	1,670,070	19,882	319,290	(2,166,664)	(104,508)	(261,930)
Other Financing Sources (Uses):						
Operating transfers in	310,957	90,000		1,000,000	338,754	1,739,711
Operating transfers out	(1,492,454)	(109,882)			(137,375)	(1,739,711)
Other financing uses	(35,880)				(16,667)	(52,547)
Total Other Financing Sources (Uses)	(1,217,377)	(19,882)	-	1,000,000	184,712	(52,547)
Net Change in Fund Balances	452,693	-	319,290	(1,166,664)	80,204	(314,477)
Fund Balances:						
July 1, 2006	3,655,872		780,793	1,457,095	1,247,534	7,141,294
Prior period adjustments	68,508				965	69,473
July 1, 2006, as restated	3,724,380	-	780,793	1,457,095	1,248,499	7,210,767
Increase in reserve for inventory					6,936	6,936
June 30, 2007	$ 4,177,073	-	1,100,083	290,431	1,335,639	6,903,226

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, 2007

		Amount
Net Change in Fund Balances - Governmental Funds		$ (314,477)
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 $893,194 and the depreciation expense amounted to $910,544.	(17,350)
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.	210,152
3	Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activity.	6,936
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.	(67,285)
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	4,702
Change in Net Assets of Governmental Activities		$ (180,079)

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2007

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	$ 529,508
Total Assets	$ 529,508
Liabilities	
Accounts payable and accrued liabilities	$ 486,405
Due to other funds	500
Advances from other funds	5,000
Due to student clubs	37,603
Total Liabilities	$ 529,508

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 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.

Sixteenth Section Interest Fund – This fund serves to collect expendable sixteenth section revenues from sixteenth section sources. Net expendable revenues are either shared with other school districts or transferred to the district's general fund per statutory board order.

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 recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* 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 three 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 three 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 4 for details.

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve 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 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

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

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

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

(2) Cash and Cash Equivalents and Investments.

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 district's 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.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $6,446,580 and $529,508, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents -- $6,285,765 and restricted assets -- $160,815. The restricted assets of $160,815 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $7,390,873.

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, 2007, none of the district's bank balance was exposed to custodial credit risk.

Investments.

As of June 30, 2007, 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	A	Less than 1 year	$	170,645
Total			$	170,645

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, 2007, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any 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, 2007, the district had the following investments:

Issuer		Fair Value	% of Total Investment
Hancock Bank	$	170,645	100%
Total	$	170,645	100%

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

		Due From	Due To
Governmental funds:			
General Fund	$	195,499	-
Title I		-	129,583
Other Governmental Funds		55,500	120,916
Agency Funds			
Jr. High Trust Fund			500
Total Funds	$	250,999	250,999

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs.

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

The advance was made from the District Maintenance Fund to the Accounts Payable Clearing Fund to insure sufficient cash balance at all times in the clearing fund of the district.

C. Transfers In/Out.

		Transfer In	Transfers Out
Governmental Funds:			
General fund	$	310,957	1,492,454
Title I		90,000	109,882
District Building Fund		1,000,000	
Other governmental funds		338,754	137,375
Total Funds	$	1,739,711	1,739,711

The transfers were mainly the results of payments made to cover vocational education, special education, federal programs, indirect cost and capital project expenditures.

(4) Capital Assets.

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

	Balance 7/1/2006	Additions	Retirements	Adjustments	Balance 6/30/2007
Non-depreciable capital assets:					
Land	68,107				68,107
Total non-depreciable capital assets	68,107	-	-	-	68,107
Depreciable capital assets:					
Buildings	14,171,339		(308,175)	(84,426)	13,778,738
Building Improvements	1,419,479	647,000		84,426	2,150,905
Improvements other than buildings	483,951				483,951
Mobile equipment	1,142,738	169,152			1,311,890
Furniture and equipment	3,863,293	77,042	(38,416)		3,901,919
Total depreciable capital assets	21,080,800	893,194	(346,591)	-	21,627,403
Less accumulated depreciation for:					
Buildings	4,415,028	245,928	(244,665)	51,469	4,467,760
Building Improvements	203,254	82,659			285,913
Improvements other than buildings	199,127	19,358			218,485
Mobile equipment	697,178	72,898			770,076
Furniture and equipment	2,354,079	489,701	(34,641)		2,809,139
Total accumulated depreciation	7,868,666	910,544	(279,306)	51,469	8,551,373
Total depreciable capital assets, net	13,212,134	(17,350)	(67,285)	(51,469)	13,076,030
Governmental activities capital assets, net	13,280,241	(17,350)	(67,285)	(51,469)	13,144,137

Depreciation expense was charged to the following governmental functions:

		Amount
Instruction	$	284,915
Support services		608,744
Non-instructional		16,885
Total depreciation expense	$	910,544

The prior period adjustments are to correct the classification of building improvements and to correct prior year depreciation required as a result of the correction to the useful life estimate of a modular building.

(5) Long-term liabilities.

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

			Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007	Amounts due within one year
A.	Limited obligation bonds payable	$	3,475,000		200,000	3,275,000	205,000
B.	Other loans payable		25,379		10,152	15,227	10,152
C.	Compensated absences payable		73,731	2,757		76,488	-
	Total	$	3,574,110	2,757	210,152	3,366,715	215,152

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	3,275,000
Total				$	4,480,000	3,275,000

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

Year Ending June 30		Principal	Interest	Total
2008		205,000	146,328	351,328
2009		220,000	136,263	356,263
2010		230,000	126,390	356,390
2011		240,000	115,930	355,930
2012		250,000	104,905	354,905
2013 – 2017		1,455,000	334,897	1,789,897
2018		675 ,000	23,853	698,853
Total	$	3,275,000	988,566	4,263,566

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	15,227
Total				$	182,728	15,227

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

Year Ending June 30		Principal	Interest	Total
2008		10,152	-	10,152
2009		5,075		5,075
Total	$	15,227	-	15,227

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.

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2007, was 11.30% 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, 2007, 2006 and 2005 were $794,379, $765,919, and $643,916, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising 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
2008	$	367,446
2009		243,046
2010		233,446
2011		82,880
2012		82,880
2013 – 2017		43,100
2018 – 2022		20,000
2023 – 2027		18,400
Thereafter		20,400
Total	$	1,111,598

(8) 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 depreciation expense		$	(51,468)
2.	Understatement of revenue			73,548
3.	Understatement of expenses			(4,075)
		Total	$	18,005

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

	Explanations			
Major Funds:				
General Fund	Understatement of revenue		$	72,583
	Understatement of expenditures			(4,075)
Other Governmental Funds:	Understatement of revenue			965
		Total	$	69,473

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college 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 $700,000. For a claim exceeding $700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

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, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP Basis)	Variances Positive (Negative) Original to Final	Variances Positive (Negative) Final to Actual
Revenues:					
Local sources	$ 2,124,449	2,316,122	2,155,035	191,673	(161,087)
State sources	7,467,120	7,478,189	7,446,860	11,069	(31,329)
Federal sources	165,000	268,500	252,324	103,500	(16,176)
Total Revenues	9,756,569	10,062,811	9,854,219	306,242	(208,592)
Expenditures:					
Instruction	4,632,589	4,670,139	4,524,331	(37,550)	145,808
Support services	4,510,858	4,074,358	3,649,666	436,500	424,692
Noninstructional services				-	-
Debt service:					
Principal	10,152	10,152	10,152	-	-
Total Expenditures	9,153,599	8,754,649	8,184,149	398,950	570,500
Excess (Deficiency) of Revenues Over Expenditures	602,970	1,308,162	1,670,070	705,192	361,908
Other Financing Sources (Uses):					
Operating transfers in	905,000	215,000	310,957	(690,000)	95,957
Operating transfers out	(1,000,000)	(1,493,000)	(1,492,454)	(493,000)	546
Other financing uses			(35,880)	-	(35,880)
Total Other Financing Sources (Uses)	(95,000)	(1,278,000)	(1,217,377)	(1,183,000)	60,623
Net Change in Fund Balances	507,970	30,162	452,693	(477,808)	422,531
Fund Balances:					
July 1, 2006	4,059,129	4,059,129	3,655,872	-	(403,257)
Prior period adjustments		(417,659)	68,508	(417,659)	486,167
July 1, 2006, as restated	4,059,129	3,641,470	3,724,380	(417,659)	82,910
June 30, 2007	$ 4,567,099	3,671,632	4,177,073	(895,467)	505,441

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, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	1,638,839	2,531,336	1,701,481	892,497	(829,855)
Total Revenues	1,638,839	2,531,336	1,701,481	892,497	(829,855)
Expenditures:					
Instruction	812,259	1,095,783	824,136	(283,524)	271,647
Support services	720,969	1,336,272	799,621	(615,303)	536,651
Noninstructional services	66,245	81,019	57,842	(14,774)	23,177
Total Expenditures	1,599,473	2,513,074	1,681,599	(913,601)	831,475
Excess (Deficiency) of Revenues Over Expenditures	39,366	18,262	19,882	(21,104)	1,620
Other Financing Sources (Uses):					
Operating transfers in		90,000	90,000	90,000	-
Operating transfers out	(36,707)	(36,707)	(109,882)	-	(73,175)
Total Other Financing Sources (Uses)	(36,707)	53,293	(19,882)	90,000	(73,175)
Net Change in Fund Balances	2,659	71,555	-	68,896	(71,555)
Fund Balances:					
July 1, 2006, as restated	-	-		-	-
Prior period adjustments	-	(71,555)		(71,555)	71,555
July 1, 2006, as restated	-	(71,555)	-	(71,555)	71,555
June 30, 2007	$ 2,659	-	-	(2,659)	-

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	391,000	391,000	328,790	-	(62,210)
Total Revenues	391,000	391,000	328,790	-	(62,210)
Expenditures:					
Sixteenth section	15,000	15,000	9,500	-	5,500
Total Expenditures	15,000	15,000	9,500	-	5,500
Excess (Deficiency) of Revenues Over Expenditures	376,000	376,000	319,290	-	(56,710)
Other Financing Sources (Uses):					
Operating transfers out	(800,000)			800,000	-
Total Other Financing Sources (Uses)	(800,000)	-	-	800,000	-
Net Change in Fund Balances	(424,000)	376,000	319,290	800,000	(56,710)
Fund Balances:					
July 1, 2006	780,793	780,793	780,793	-	-
Prior period adjustments					
July 1, 2006, as restated	780,793	780,793	780,793	-	-
June 30, 2007	$ 356,793	1,156,793	1,100,083	800,000	(56,710)

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, 2007

(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, 2007

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	$ 59,517
Child nutrition cluster:		
School breakfast program	10.553	272,422
National school lunch program	10.555	707,609
Summer food service program for children	10.559	43,888
Total Child Nutrition Cluster		1,023,919
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	165,863
Total Federal Communications Commission		165,863
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title 1-grants to local educational agencies	84.010	1,701,481
Vocational education - basic grants to states	84.048	44,960
Safe and drug-free schools and communities- state grants	84.186	30,105
Education for homeless children and youth	84.196	67,920
Even start - state educational agencies	84.213	36,198
Fund for the improvement of education	84.215	2,187
21st century community learning center program	84.287	112,561
Innovative education program strategies	84.298	4,091
Technology literacy challenge fund grants	84.318	111,683
Comphrehensive school reform demonstration	84.332	52,846
Teacher induction program	84.336	500
Transition to Teaching	84.350	320
Reading first state grants	84.357	156,237
Rural education achievement program	84.358	191,226
Improving teacher quality - state grant	84.367	462,201
Grants for state assessments and related activities	84.369	10,075
Total		2,984,591
Special education cluster:		
Special education - grants to states	84.027	459,559
Special education - preschool grants	84.173	8,881
Total		468,440
Total U.S. Department of Education		3,453,031
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	85,640
Total		85,640
Passed-through Mississippi Department of Health and Human Services:		
Corporation for National and Community Service		
Learn and serve America - school and community based programs	94.004	7,604
Total		7,604
Total U.S. Department of Health and Human Services		93,244
Total for All Federal Awards		$ 4,795,574

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, 2007 of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was $15,227.

Humphreys County School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2007

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	9,673,053	7,208,692	628,982	597,744	1,237,635
Other		6,640,293	1,717,990	147,583	41,341	4,733,379
Total	$	16,313,346	8,926,682	776,565	639,085	5,971,014
Total number of students *		1,705				
Cost per student $		9,568	5,236	455	375	3,502

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

Superintendent and School Board
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, 2007, which collectively comprise the Humphreys County School District's basic financial statements and have issued my report thereon dated May 9, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in the internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings ***2007-1*** through ***2007-9*** to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider Findings ***2007-1, 2007-2*** and ***2007-3*** to be material weaknesses.

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 that I have reported to management of the school district in a separate letter dated May 9, 2008, 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
May 9, 2008

Day CERTIFIED PUBLIC ACCOUNTANT
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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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies and others that I consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings ***2007-10*** through ***2007-14*** to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, I consider ***Findings 2007-10*** and ***2007-11*** to be material weaknesses.

Humphreys County School District's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Humphreys County School District's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, others within the entity, 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
May 9, 2008

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, 2007, which collectively comprise the Humphreys County School District's basic financial statements and have issued my report thereon dated May 9, 2008. 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)(a), 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 $12,857 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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 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

Educational enhancement funds for the purchase of instructional supplies were not allocated equally among eligible teachers throughout the district. Instead, each school's eligible teachers were assigned amounts as follows:

Ida Greene Elementary School	$359.82
O. M. McNair Elementary School	330.23
O. M. McNair Jr. High	382.91
Humphreys County High School	344.27
Vocational	435.71
Special Services	364.80

RECOMMENDATION

The district should comply with Section 37-61-33-(3)(a)(iii), and insure that educational enhancement funds for instructional supplies are allocated equally among all eligible teachers of the district.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-61-33-(3)(a)(iii).

2. FINDING

During my test of limitations of ad valorem taxes, I noted that the district received $8,255 in excess of the amount allowed by Section 37-57-107, Miss. Code Ann. (1972). The excess received during the 2006-2007 year should have been placed in escrow for uses during the next fiscal year.

RECOMMENDATION

The district should comply with Section 37-57-107, Miss. Code Ann. (1972), and escrow any excess ad valorem tax revenue received.

SCHOOL DISTRICT'S RESPONSE

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

3. FINDING

In accords with Section 31-7-13, the district is required to follow state statutes in selecting vendors of the district. For one (1) transaction selected for testing, the district did not provide evidence supporting the district compliance with the guidelines of the state purchasing law.

RECOMMENDATION

The district should comply with Section 31-7-13 when selecting vendors of the district.

SCHOOL DISTRICT'S RESPONSE

The district will comply with state purchasing laws.

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
May 9, 2008

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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, 2007

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 weaknesses identified?	Yes
	b. Significant deficiencies 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 weaknesses identified?	Yes
	b. Significant deficiencies identified that are not considered to be material weaknesses?	Yes
6.	Any audit findings reported as required by Section ___.510(a) of Circular A-133?	Yes
7.	Federal programs identified as major programs:	
	a. Program name: Title I Grants to Local Educational Agencies CFDA #: 84.010	
	b. Program name: Improving Teacher Quality – State Grant CFDA #: 84.367	
	b. Program name: Special Education Cluster CFDA #: 84.027 CFDA #: 84.173	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133?	No

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 2: Financial Statement Findings

Material Weaknesses

2007-1 Finding

The district did not record retainage payable and construction expenditures totaling $81,544 as of June 30, 2007. An adjustment was made to correct this error.

Recommendation

The district should implement procedures to insure that retainage payable and construction expenditures are properly recorded by the district in the appropriate accounting period.

2007-2 Finding

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

9 Lack of proper authorization for expenditure
3 Lack of a purchase requisition
11 Lack of a purchase order
6 Lack of invoice to support expenditure
2 Invoice was not properly cancelled
22 Lack of documentation of receipt of the item
11 Incorrect object coding
2 Payments made in advance of receipt of service

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, purchase requisition, purchase order, where appropriate, proper supporting invoice, receiving documentation, are 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. The district should further insure the proper coding of transactions, the maintenance of evidence of compliance with state and federal laws, and the payment for goods and/or services only after the goods and/or services have been received by the district.

2007-3 Finding

Per my review of changes made to the district's beginning fund balance accounts, I noted the following discrepancies:

1120 – Dist. Maint. Fund	Increase in Beg. Fund Balance	Overstated	$ 18,223
1120 – Dist. Maint. Fund	Transfer In	Understated	18,223
1120 – Dist. Maint. Fund	Local Revenue	Overstated	82,760
1120 – Dist. Maint. Fund	Transfer In	Understated	82,760
Special Revenue Funds	Transfer Out	Understated	100,983
Special Revenue Funds	Decrease in Beg. Fund Balance	Overstated	100,983
1120 – Dist. Maint. Fund	Local Revenue	Overstated	72,583
1120 – Dist. Maint. Fund	Increase in Beg. Fund Balance	Understated	72,583
Special Revenue Fund	Federal Revenue	Overstated	11,021
Special Revenue Fund	Increase in Beg. Fund Balance	Understated	11,021
1120 – Dist. Maint. Fund	Decrease in Beg. Fund Balance	Overstated	35,880
1120 – Dist. Maint. Fund	Other Misc. Uses	Understated	35,880

Adjustments were made to correct these errors.

Recommendation

The district should implement procedures to insure that revenue and expenditures are properly recorded and accounted for in the proper accounting year in accords with generally accepted accounting principles.

Significant deficiencies not considered to be material weaknesses

2007-4 Finding

Per my review of excess fund balances of federal programs, I noted that the district did not record unearned revenue of the following programs as a liability of the district as of June 30, 2007:

2215 – Reading First	$19,000
2280 – Comprehensive School Reform	8,097

Recommendation

The district should insure the proper recording of receipts of the district in accords with generally accepted accounting principles.

2007-5 Finding

The district did not properly accrue $34,804 in expenditures for the year ended June 30, 2007. An adjustment was made to correct this error.

Recommendation

The district should implement policies and procedures to insure that expenditures are recorded and accounted for in the year incurred.

2007-6 Finding

Per my review of the claims payable account balance of the district, I also noted that items purchased after the year ended , totaling $8,250, were incorrectly recorded as claims payable as of June 30, 2007. An adjustment was made to correct this error.

Recommendation

The district should implement procedures to insure that expenditures are properly recorded and accounted for in the proper accounting year in accords with generally accepted accounting principles.

2007-7 Finding

Per my review of the claims payable account balance of the district, I noted that certain transactions totaling $8,616 were improperly classified as claims payable. These transactions should have been recorded as interfund payables and receivables. Adjustments were made to correct this error.

Recommendation

The district should insure the proper recording of transactions of the district in accords with generally accepted accounting principles.

2007-8 Finding

I noted the following exceptions during my examination of payroll expenditure transactions selected for test purposes:

a. Time and attendance records were not always used by the district to determine non-exempt employees' gross pay for each pay period.

b. Proper authorization for voluntary withholdings from employees' pay was not always maintained by the district.

c. Involuntary payroll withholding forms were not always signed by the employee.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including time and attendance records and proper payroll withholdings authorization, are maintained by the district and made available for audit.

2007-9 Finding

Per my review of year end inventory records of the Food Service Program of the District, I noted that the district did not record the end of the year inventory for donated commodities. An adjustment was made to correct this error.

Recommendation

The district should insure the proper recording of all account balances of the district in accords with generally accepted accounting principles.

Section 3: Federal Award Findings and Questioned Costs

Material weaknesses

2007-10 Finding

Compliance Requirements: Allowable Costs/Cost Principles

Program: Title I Grants to Local Educational Agencies – CFDA# 84.010
U. S. Department of Education;
Mississippi Department of Education

I noted the following exceptions during my examination of Title I expenditure transactions selected for test purposes:

Non-Payroll Expenditures

1 Lack of proper authorization for expenditure
1 Lack of invoice to support expenditure
1 Invoice was not properly cancelled
3 Lack of documentation of receipt of the item
2 Incorrect object coding
2 Payments made in advance of receipt of service

Payroll Expenditures

a. Time and attendance records were not always used by the district to determine non-exempt employees' gross pay for each pay period.

b. Proper authorization for voluntary withholdings from employees' pay was not always maintained by the district.

These exceptions were also noted in Findings 2007-2 and 2007-8 of this report.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, proper supporting invoice, and receiving documentation, are maintained by the district and made available for audit. Invoices should be properly cancelled to aid in the prevention of duplicated payments. The proper coding of transactions and the payment for goods and/or services only after the goods and/or services have been received should be insured by the district. The district should also insure that all necessary supporting documents, including time and attendance records and proper payroll withholdings authorization, are maintained by the district and made available for audit.

2007-11 Finding

Compliance Requirements: Allowable Costs/Cost Principles

Program: Title I Grants to Local Educational Agencies – CFDA# 84.010
U. S. Department of Education;
Mississippi Department of Education

Per my review of changes made to the district's beginning fund balance accounts, I noted the following discrepancies:

2211 Title I	Transfer Out	Understated	$71,555
2211 Title I	Decrease in Beg. Fund Balance	Overstated	71,555

An adjustment was made to correct this error. This exception was also noted in Findings 2007-3 of this report.

Recommendation

The district should implement procedures to insure that revenue and expenditures are properly recorded and accounted for in the proper accounting year in accords with generally accepted accounting principles.

Significant deficiencies not considered to be material weaknesses

2007-12 Finding

Compliance Requirements: Allowable Costs/Cost Principles

Program: Improving Teacher Quality – State Grant – CFDA# 84.367
U. S. Department of Education;
Mississippi Department of Education

I noted the following exceptions during my examination of the Title II- Improving Teacher Quality Program non-payroll expenditure transactions selected for test purposes:

6 Lack of proper authorization for expenditure
1 Lack of a purchase requisition
1 Lack of a purchase order
6 Lack of documentation of receipt of the item
2 Incorrect object coding

These exceptions were also noted in Findings 2007-2 of this report.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, purchase requisition, purchase order, and receiving documentation, are maintained by the district and made available for audit. The district should further insure the proper coding of all transactions.

2007-13 Finding

Compliance Requirements: Allowable Costs/Cost Principles

Program: Special Education Cluster – CFDA# 84.027 and CFDA# 84.173
U. S. Department of Education;
Mississippi Department of Education

I noted the following exceptions during my examination of the Special Education Cluster expenditure transactions selected for test purposes:

Non-Payroll Expenditures

1 Lack of proper authorization for expenditure
1 Lack of a purchase requisition
7 Lack of a purchase order
2 Lack of invoice to support expenditure
3 Lack of documentation of receipt of the item
1 Incorrect object coding

Payroll Expenditures

a. Time and attendance records were not always used by the district to determine non-exempt employees' gross pay for each pay period.

b. Proper authorization for voluntary withholdings from employees' pay was not always maintained by the district.

These exceptions were also noted in Findings 2007-2 and 2007-8 of this report.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, purchase requisition, purchase order, and receiving documentation, are maintained by the district and made available for audit. All transactions should be properly coded. The district should also insure that all necessary supporting documentation, including time and attendance records and proper payroll withholdings authorization, is maintained by the district and made available for audit.

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

2007-14 Finding

Compliance Requirements: Allowable Costs/Cost Principles

Program: Special Education Cluster – CFDA# 84.027 and CFDA# 84.173
U. S. Department of Education;
Mississippi Department of Education

Per my review of changes made to the district's beginning fund balance accounts, I noted the following discrepancies:

2610 Special Education	Transfer Out	Understated	$18,223
2610 Special Education	Decrease in Beg. Fund Balance	Overstated	18,223

An adjustment was made to correct this error. This exception was also noted in Findings 2007-3 of this report.

Recommendation

The district should implement procedures to insure that revenue and expenditures are properly recorded and accounted for in the proper accounting year in accords with generally accepted accounting principles.

HUMPHREYS COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

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Humphreys County School District
Bonnie Horton, Superintendent of Education

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

Auditee's Corrective Action Plan

Finding	Corrective Action Plan Details
2007-1	**A. Name of Contact Person Responsible for the Corrective Action:** Name: Sarita W. Daniels Title: Business Manager Phone No.: 662-247-6000 **B. Corrective Action Planned:** The district will implement procedures to insure retainage payable and construction expenditures are properly recorded in the appropriate accounting period. **C. Completion Date: 4/30/08**
2007-2	**A. Name of Contact Person Responsible for the Corrective Action:** Name: Sarita W. Daniels Title: Business Manager Phone No.: 662-247-6000 **B. Corrective Action Planned:** The district will implement policies and procedures to insure all supporting documents for expenditure transactions are maintained and available for audit purposes. Additionally, the district will implement procedures to ensure all expenditure transactions are properly authorized, coded, payment is made only after receipt of goods/services, cancelled after payment and comply with state purchasing laws. Training was provided to business office personnel in February and March 2008. Ongoing training and monitoring will be provided to business office personnel. **C. Completion Date: Feb/Mar 2008 (Training – ongoing)**

2007-3

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to insure revenue and expenditures are properly recorded in the proper accounting year.

C. Completion Date: 4/30/08

2007-4

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to insure revenue is properly recorded in the proper accounting period.

C. Completion Date: 4/30/08

2007-5

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to insure expenditures are properly recorded in the proper accounting year.

C. Completion Date: 4/30/08

2007-6

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to insure expenditures are properly recorded in the proper accounting year.

C Completion Date: 4/30/08

2007-7

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to insure proper recording and classification of transactions in accordance with GAAP.

C. Completion Date: 4/30/08

2007-8

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to insure non-exempt employees' pay is calculated using time and attendance records. Also, proper documentation authorizing voluntary/involuntary withholdings will be maintained.

C. Completion Date: 4/30/08

2007-9

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to all transactions are properly recorded in accordance with GAAP.

C. Completion Date: 4/30/08

2007-10

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
See response noted at findings 2007-2 and 2007-8 above.

C. Completion Date: 4/30/08

2007-11

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
The district will implement procedures to insure revenue and expenditures are properly recorded in the proper accounting year.

C. Completion Date: 4/30/08

2007-12

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
See response noted at finding 2007-2 above.

C. Completion Date: 4/30/08

2007-13

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:
See response noted at findings 2007-2 and 2007-8 above.

C. Completion Date: 4/30/08

2007-14

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

Name: Sarita W. Daniels
Title: Business Manager
Phone No.: 662-247-6000

B. Corrective Action Planned:

The district will implement procedures to insure revenue and expenditures are properly recorded in the proper accounting year.

C. Completion Date: 4/30/08