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HUMPHREYS COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2008**

Day CERTIFIED PUBLIC ACCOUNTANT
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HUMPHREYS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

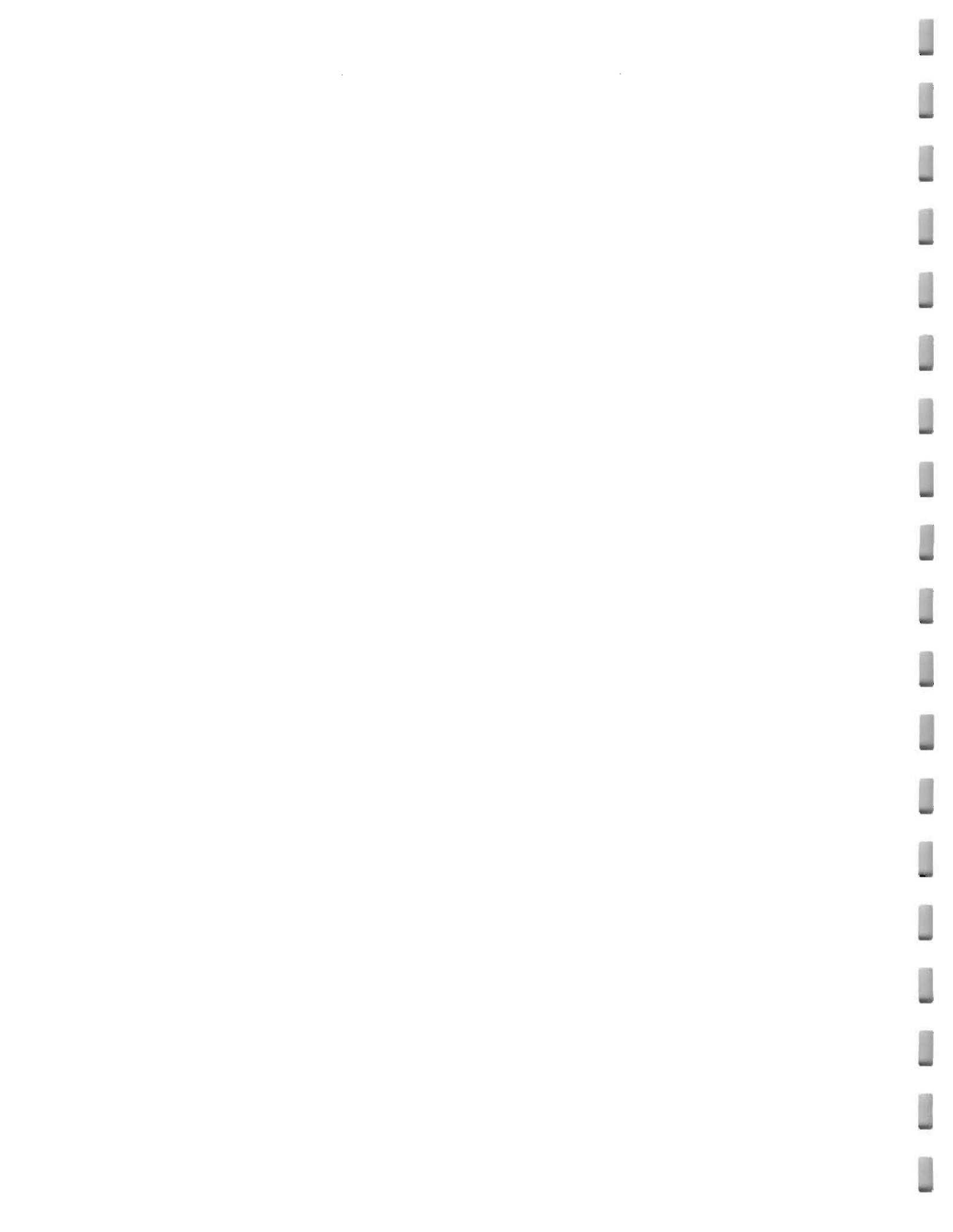


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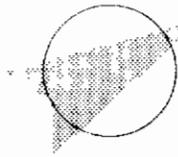


HUMPHREYS COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

HUMPHREYS COUNTY SCHOOL DISTRICT

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Diane Shaw Day, CPA

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

Superintendent and School Board
Humphreys County School District

I have audited the 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, 2008, 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 opinions.

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, 2008, 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 September 30, 2009, 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 controls 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 (46) 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.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.


Day, CPA
September 30, 2009

HUMPHREYS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2008 increased \$1,081,758, including a prior period adjustment of \$(29,163), which represents 6.5% increase from fiscal year 2007. Total net assets for 2007 decreased \$180,079, which represents a 1.07% decrease from fiscal year 2006.
- General revenues account for \$11,772,020 and \$10,599,732 in revenue, or 70.4% and 66.04% of all revenues for fiscal years 2008 and 2007 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,951,002 or 29.6% of total revenues for 2008 and \$5,451,683 or 33.96% of total revenues for 2007.
- The District had \$15,612,101 and \$16,231,494 in expenses for fiscal years 2008 and 2007; only \$4,951,002 for 2008 and \$5,451,683 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,772,020 for 2008 and \$10,599,732 for 2007 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,631,411 in revenues and \$9,142,549 in expenditures for 2008 and \$9,854,219 in revenues and \$8,184,149 in expenditures for 2007. The General Fund's fund balance decreased by \$791,565 from 2007 to 2008 and increased \$521,201 from 2006 to 2007.
- Capital assets, net of accumulated depreciation, decreased by \$592,733 for 2008 and decreased by \$136,104 for 2007. The decrease for 2008 was due to the increase in accumulated depreciation.
- Long-term debt *decreased* by \$208,557 for 2008 and decreased by \$207,395 for 2007. This decrease was due to the annual payment on long-term debt outstanding.

HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

OVERVIEW OF THE 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.

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.

HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund's balance sheet and the governmental fund's 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's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report.

Four year comparison statements of revenues, expenditures and changes in fund balances for the General Fund and all governmental funds are also included in this report.

**HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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 \$17,699,868 as of June 30, 2008.

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.

Table I presents a summary of the District's net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

**Table 1
Condensed Statement of Net Assets**

	June 30, 2008	June 30, 2007	Total Percentage Change
Assets:			
Current assets	\$8,752,565	\$ 7,303,056	19.9%
Capital assets, net	12,551,404	13,144,137	-4.5%
Total assets	\$21,303,969	\$ 20,447,193	4.2%
Liabilities:			
Current liabilities	445,943	462,368	-3.6%
Long-term debt outstanding	3,158,158	3,366,715	-6.2%
Total liabilities	3,604,101	3,829,083	-5.9%
Net assets:			
Invested in capital assets, net of related debt	9,481,404	9,869,137	-3.9%
Restricted	4,921,114	2,663,615	84.8%
Unrestricted	3,297,350	4,085,358	-19.3%
Total net assets	\$17,699,868	\$ 16,618,110	6.5%

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

- Increase in current assets in the amount of \$1,449,509.
- The principal retirement of \$215,151 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were \$16,732,022 and \$16,051,415. The total cost of all programs and services for 2008 was \$15,612,101 and \$16,231,494 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

**HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Table 2

	<u>Change(s) in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 211,623	216,454	-2.2%
Operating grants and contributions	4,739,379	5,235,229	-9.5%
General revenues:			
Property taxes	1,951,138	1,913,266	2.0%
Grants and contributions not restricted	9,053,731	8,058,804	12.3%
Other	767,151	627,662	22.2%
Total revenues	<u>16,732,022</u>	<u>16,051,415</u>	4.2%
Expenses:			
Instruction	7,296,487	6,921,588	5.4%
Support services	6,889,549	7,973,149	-13.6%
Non-instructional	1,266,405	1,169,007	8.3%
Sixteenth section	16,991	14,477	17.4%
Interest on long-term liabilities	142,669	153,273	-6.9%
Total expenses	<u>15,612,101</u>	<u>16,231,494</u>	-3.8%
Increase (Decrease) in net assets	<u>1,110,921</u>	<u>(180,079)</u>	716.9%
Net Assets, July 1	16,618,110	16,780,184	-1.0%
Prior Period Adjustments	(29,163)	18,005	-262.0%
Net Assets, July 1, restated	<u>16,588,947</u>	<u>16,798,189</u>	-1.2%
Net Assets, June 30	<u>\$ 17,699,868</u>	<u>16,618,110</u>	6.5%

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.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Total Percentage Change</u>
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Instruction	\$ 7,296,487	\$ 6,921,588	5.4%
Support services	6,889,549	7,973,149	-13.6%
Non-instructional	1,266,405	1,169,007	8.3%
Sixteenth section	16,991	14,477	17.4%
Interest on long-term liabilities	142,669	153,273	-6.9%
Total expenses	<u>\$ 15,612,101</u>	<u>\$ 16,231,494</u>	-3.8%

**HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Net (Expense) Revenue		Total
	2008	2007	Percentage Change 2007-2008
Instruction	\$ (5,352,350)	\$ (4,617,299)	15.9%
Support services	(5,130,389)	(6,018,127)	-14.8%
Non-instructional	(19,150)	23,365	-182.0%
Sixteenth section	(16,541)	(14,477)	14.3%
Interest on long-term liabilities	(142,669)	(153,273)	-6.9%
Total expenses	\$ (10,661,099)	\$ (10,779,811)	-1.1%

- Net cost of governmental activities (\$10,661,099) and (\$10,779,811), was financed by general revenue, which is made up of primarily property taxes of \$1,951,138 for 2008 and \$1,913,266 for 2007 and state and federal revenue of \$9,053,731 for 2008 and \$8,058,804 for 2007. In addition, there was \$498,767 and \$425,778 in Sixteenth Section sources for 2008 and 2007, respectively.
- Investment earnings accounted for \$194,978 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 \$8,364,825, an increase of \$1,492,664, and a prior period adjustment of \$(29,163) and decrease in reserve for inventory of \$(1,902). \$5,640,946 or 67.44% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,723,879 or 32.56% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$791,568. This decrease is due to the transfer of funds to a Capital Projects fund for the construction of a new cafeteria. The fund balance of Other Governmental Funds showed an increase in the amount of \$206,009, and a prior period adjustment of \$(29,166) and decrease in reserve for inventory of \$1,902. The other increase (decrease) in the fund balances for the other major funds were as follows:

**HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I	No increase or decrease
Sixteenth Section Interest Fund	\$ 404,694
District Building Fund	\$ (212,615)
Cafeteria Building Fund	\$1,886,144

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the school district.

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, 2008, the District's total capital assets were \$22,021,458, including school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$325,948 from 2007 to 2008 and an increase of \$546,603 from 2006 to 2007. Total accumulated depreciation as of June 30, 2008 was \$9,470,054 and total depreciation expense for the year was \$930,181, resulting in total net assets of \$12,551,404.

**Table 4
Capital Assets**

	<u>Capital Assets, Net of Depreciation</u>		<u>Total Percentage Change</u>
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Land	\$ 68,107	\$ 68,107	0.0%
Construction in Progress	113,657	0	100.0%
Buildings	9,066,925	9,310,978	-2.6%
Building improvements	1,783,417	1,864,992	-4.4%
Other improvements	246,108	265,466	-7.3%
Mobile equipment	476,543	541,814	-12.1%
Furniture and equipment	796,647	1,092,780	-27.1%
Total	\$ 12,551,404	\$ 13,144,137	-4.5%

Debt Administration. At June 30, 2008, the District had \$3,158,158 in long-term debt outstanding, of which \$225,076 is due within one year. In addition, the liability for compensated absences increased from the prior year.

**HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The District maintains an AA- bond rating.

**Table 5
Outstanding Long-Term Debt at June 30**

	Outstanding Long-term debt		Total Percentage Change
	2008	2007	2007-2008
Limited Obligation bonds payable	\$ 3,070,000	\$ 3,275,000	-6.3%
Other loans payable	5,076	15,227	-66.7%
Compensated absences payable	83,082	76,488	8.6%
Total	\$ 3,158,158	\$ 3,366,715	-6.2%

Additional information of the District's long-term debt can be found in Note 6 included in 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 District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenue.

Enrollment for the 2007-2008 year remained 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

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,603,613
Investments	190,442
Due from other governments	731,089
Other Receivable, net	24,949
Inventories	7,857
Restricted assets	194,615
Capital assets, net:	
Capital assets, not being depreciated:	
Land	68,107
Construction in progress	113,657
Capital assets, net of accumulated depreciation:	
Buildings	9,066,925
Building Improvements	1,783,417
Improvements other than buildings	246,108
Mobile equipment	476,543
Furniture and equipment	796,647
Total Assets	\$ 21,303,969
Liabilities	
Accounts payable and accrued liabilities	\$ 292,321
Unearned revenue	95,419
Interest payable on long-term liabilities	58,203
Long-term liabilities, due within one year	
Capital related liabilities	220,000
Non-capital related liabilities	5,076
Long-term liabilities, due beyond one year	
Capital related liabilities	2,850,000
Non-capital related liabilities	83,082
Total Liabilities	\$ 3,604,101
Net Assets	
Investment in capital assets, net of related debt	\$ 9,481,404
Restricted net assets:	
Expendable:	
School - based activities	2,318,348
Capital improvement	1,963,960
Debt service	316,573
Forestry improvements	95,047
Unemployment benefits	32,571
Non-expendable:	
Sixteenth section	194,615
Unrestricted	3,297,350
Total Net Assets	\$ 17,699,868

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, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 7,296,487	109,740	1,834,397	(5,352,350)
Support services	6,889,549		1,759,160	(5,130,389)
Non-instructional	1,266,405	101,433	1,145,822	(19,150)
Sixteenth section	16,991	450		(16,541)
Interest and other charges related to long-term liabilities	142,669			(142,669)
Total governmental activities	\$ 15,612,101	211,623	4,739,379	(10,661,099)

General Revenues:

Taxes:	
General purpose levies	1,951,138
Unrestricted grants and contributions:	
State	8,412,377
Federal	641,354
Unrestricted investment earnings	194,978
Sixteenth section sources	498,767
Other	73,406
Total General Revenues	11,772,020
Change in Net Assets	1,110,921
Net Assets - Beginning	16,618,110
Prior Period Adjustments:	(29,163)
Net Assets - Beginning - Restated	16,588,947
Net Assets - Ending	\$ 17,699,868

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

HUMPHREYS COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund	District Building Fund	Ida Greene Café Building Fund	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 3,044,764		1,504,777	151,531	1,886,612	1,210,544	7,798,228
Investments						190,442	190,442
Due from other governments	133,257	184,638				413,194	731,089
Other receivables						144	144
Due from other funds	263,326					47,448	310,774
Advance to other funds	5,000						5,000
Inventories						7,857	7,857
Total Assets	\$ 3,446,347	184,638	1,504,777	151,531	1,886,612	1,869,629	9,043,534
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 56,196	52,216		73,715	468	109,726	292,321
Due to other funds	4,643	132,422				153,904	290,969
Unearned revenue						95,419	95,419
Total Liabilities	60,839	184,638	-	73,715	468	359,049	678,709
Fund Balances:							
Reserved for:							
Advances	5,000						5,000
Inventory						7,857	7,857
Ad valorem	50,053						50,053
Capital Projects funds				77,816	1,886,144		1,963,960
Debt Service funds						374,776	374,776
Unemployment benefits						32,571	32,571
Forestry improvements						95,047	95,047
Permanent funds						194,615	194,615
Unreserved:							
Undesignated, reported in:							
General fund	3,330,455						3,330,455
Special Revenue funds			1,504,777			805,714	2,310,491
Total Fund Balances	3,385,508	-	1,504,777	77,816	1,886,144	1,510,580	8,364,825
Total Liabilities and Fund Balances	\$ 3,446,347	184,638	1,504,777	151,531	1,886,612	1,869,629	9,043,534

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,364,825
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 \$9,470,054.	12,551,404
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,158,158)
3 Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(58,203)
Total Net Assets - Governmental Activities	<u>\$ 17,699,868</u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund	District Building Fund	Ida Greene Caft Building Fund		
Revenues:							
Local sources	\$ 2,260,801		287			120,948	2,382,036
State sources	7,728,378					1,087,338	8,815,716
Federal sources	642,232	1,719,284				2,615,879	4,977,395
Sixteenth section sources			411,762			134,259	546,021
Total Revenues	10,631,411	1,719,284	412,049	-	-	3,958,424	16,721,168
Expenditures:							
Instruction	4,930,094	935,147				1,159,116	7,024,357
Support services	4,202,304	716,698		212,615	199	1,333,401	6,465,217
Noninstructional services		61,494				1,186,487	1,247,981
Sixteenth section			7,355			9,636	16,991
Facilities acquisition and construction					113,657		113,657
Debt service:							
Principal	10,151					205,000	215,151
Interest						146,328	146,328
Other						676	676
Total Expenditures	9,142,549	1,713,339	7,355	212,615	113,856	4,040,644	15,230,358
Excess (Deficiency) of Revenues Over Expenditures	1,488,862	5,945	404,694	(212,615)	(113,856)	(82,220)	1,490,810
Other Financing Sources (Uses):							
Insurance loss recoveries						1,854	1,854
Operating transfers in	14,847				2,000,000	295,277	2,310,124
Operating transfers out	(2,295,277)	(5,945)				(8,902)	(2,310,124)
Total Other Financing Sources (Uses)	(2,280,430)	(5,945)	-	-	2,000,000	288,229	1,854
Net Change in Fund Balances	(791,568)	-	404,694	(212,615)	1,886,144	206,009	1,492,664
Fund Balances:							
July 1, 2007	4,177,073		1,100,083	290,431		1,335,639	6,903,226
Prior period adjustments	3					(29,166)	(29,163)
July 1, 2007, as restated	4,177,076	-	1,100,083	290,431	-	1,306,473	6,874,063
Increase in reserve for inventory						(1,902)	(1,902)
June 30, 2008	\$ 3,385,508	-	1,504,777	77,816	1,886,144	1,510,580	8,364,825

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

HUMPHREYS COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,492,664
Amounts reported for governmental activities in the statement of activities are different because:	
1 Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchase amounted to \$337,564 and the depreciation expense amounted to \$930,181.	(592,617)
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.	215,152
3 Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activity.	(1,902)
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.	(116)
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	(6,595)
Accrued interest on bonds and notes payable	4,335
Change in Net Assets of Governmental Activities	\$ <u>1,110,921</u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 560,644
	<hr/>
Total Assets	\$ 560,644
	<hr/>
Liabilities	
Accounts payable and accrued liabilities	\$ 501,188
Due to other funds	19,805
Advances from other funds	5,000
Due to student clubs	<u>34,651</u>
	<hr/>
Total Liabilities	\$ 560,644
	<hr/>

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

(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.

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.

For financial reporting purposes, Humphreys County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

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.

Ida Greene Cafeteria Building Fund - This is a capital projects fund to account for specific capital expenditures for the construction of a cafeteria at the Ida Greene School. 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.

The school district also reports agency funds (fiduciary funds) which focus on assets and liabilities only.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

The District's agency funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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.

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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

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 an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

4. 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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the governmental activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

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

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

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

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 the fund balance that is legally restricted for the payment of unemployment benefits.

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

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

Unreserved, undesignated -An account that represents the portion of fund balance that is expendable available financial resources.

(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 are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit 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), 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.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

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 \$7,798,228 and \$560,644, respectively. The bank balance was \$8,773,917.

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, 2008, none of the district's bank balance was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Rating	Maturities	Fair Value
Hancock Horizon Treasury Securities Money Market Fund	A	Less than 1 year	\$ 190,442
Total			\$ 190,442

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. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

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, 2008, the district had the following investments:

Issuer	Fair Value	% of Total Investment
Hancock Bank	\$ 190,442	100%
Total	\$ 190,442	

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I fund	\$132,422
	Other governmental funds	130,904
Other governmental funds	General Fund	4,643
	Other governmental funds	23,000
	Fiduciary fund	<u>19,805</u>
Total		<u>\$310,774</u>

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs and a payment made to A/P Clearing fund for which the claim was subsequently voided.

B. Advances To/From Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary fund	<u>\$5,000</u>
Total		<u>\$5,000</u>

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. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Ida Greene Cafeteria Bldg	\$2,000,000
	Other governmental funds	295,277
Title I Fund	General Fund	5,945
Other governmental funds	General Fund	<u>8,902</u>
Total		<u>\$2,310,124</u>

The transfers were mainly to cover vocational education, indirect costs and capital project expenditures.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

(4) **Restricted Assets.**

The restricted assets represent the cash balance, totaling \$194,615, 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.

(5) **Capital Assets.**

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

	Balance 7/1/2007	Additions	Retirements	Balance 6/30/2008
<u>Non-depreciable capital assets:</u>				
Land	68,107			68,107
Construction in progress	-	113,657		113,657
Total non-depreciable capital assets	68,107	113,657	-	181,764
<u>Depreciable capital assets:</u>				
Buildings	13,778,738			13,778,738
Building improvements	2,150,905			2,150,905
Improvements other than buildings	483,951			483,951
Mobile equipment	1,311,890	5,100		1,316,990
Furniture and equipment	3,901,919	218,807	(11,616)	4,109,110
Total depreciable capital assets	21,627,403	223,907	(11,616)	21,839,694
<u>Less accumulated depreciation for:</u>				
Buildings	4,467,760	244,053		4,711,813
Building Improvements	285,913	81,575		367,488
Improvements other than buildings	218,485	19,358		237,843
Mobile equipment	770,076	70,371		840,447
Furniture and equipment	2,809,139	514,824	(11,500)	3,312,463
Total accumulated depreciation	8,551,373	930,181	(11,500)	9,470,054
Total depreciable capital assets, net	13,076,030	(706,274)	(116)	12,369,640
Governmental activities capital assets, net	13,144,137	(592,617)	(116)	12,551,404

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 285,339
Support services	629,041
Non-instructional	15,801
Total depreciation expense	\$ 930,181

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

Commitments under construction contracts at June 30, 2008, are summarized as follows:

	Spent to June 30, 2008	Remaining Commitment
Governmental Activities		
Ida Greene Cafeteria	\$ 113,657	2,383,751
Total	\$ 113,657	2,383,751

(6) Long-term liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Balance 6-30-2008	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,275,000		205,000	3,070,000	220,000
B. Other loans payable	15,227		10,151	5,076	5,076
C. Compensated absences payable	76,488	6,594		83,082	-
Total	\$ 3,366,715	6,594	215,151	3,158,158	225,076

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	4.5%-3.9%	05-01-98	02-01-18	\$ 4,480,000	3,070,000
Total				\$ 4,480,000	3,070,000

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

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

Year Ending June 30	Principal	Interest	Total
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	265,000	93,185	358,185
2014 -2018	1,865,000	265,565	2,130,565
Total	\$ 3,070,000	842,238	3,912,238

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	5,076
Total				\$ 182,728	5,076

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

Year Ending June 30	Principal	Interest	Total
2009	5,076		5,076
Total	\$ 5,076	-	5,076

This debt will be retired from the general fund.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

C. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ending June 30, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$854,653, \$794,379, and \$765,919, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2009	\$ 404,812
2010	324,811
2011	214,014
2012	164,646
2013	93,780
2014-2018	79,800
2019-2023	20,000
2024-2028	18,400
Thereafter	20,400
Total	\$ 1,340,663

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. Understatement of revenue	\$ 3
3. Understatement of expenses	(29,166)
Total	\$ <u>(29,163)</u>

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

<u>Explanations</u>			
Major Funds:			
General Fund	Understatement of revenue	\$	3
Other Governmental Funds:	Understatement of expenditure		(29,166)
	Total	\$	<u>(29,163)</u>

(10) Contingencies.

Federal Grants. – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district. As of June 30, 2008, the single audit performed on these federal grants disclosed material instances of noncompliance, as reported in the Schedule of Findings and Questioned Costs. Any disallowance by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

HUMPHREYS COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

(11) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 95 school districts and one community college and covers risks of loss arising from injuries to the member'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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, 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

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,135,399	2,213,200	2,260,801	77,801	47,601
State sources	8,212,730	8,157,730	7,728,378	(55,000)	(429,352)
Federal sources	135,000	656,600	642,232	521,600	(14,368)
Total Revenues	10,483,129	11,027,530	10,631,411	544,401	(396,119)
Expenditures:					
Instruction	4,992,001	5,318,384	4,930,094	(326,383)	388,290
Support services	4,153,519	4,427,109	4,202,303	(273,590)	224,806
Debt service:					
Principal	10,152	10,152	10,152	-	-
Total Expenditures	9,155,672	9,755,645	9,142,549	(599,973)	613,096
Excess (Deficiency) of Revenues Over Expenditures	1,327,457	1,271,885	1,488,862	(55,572)	216,977
Other Financing Sources (Uses):					
Operating transfers in	638,862	617,862	14,847	(21,000)	(603,015)
Operating transfers out	(2,000,000)	(2,296,000)	(2,295,277)	(296,000)	723
Total Other Financing Sources (Uses)	(1,361,138)	(1,678,138)	(2,280,430)	(317,000)	(602,292)
Net Change in Fund Balances	(33,681)	(406,253)	(791,568)	(372,572)	(385,315)
Fund Balances:					
July 1, 2007	4,159,707	4,159,707	4,177,073	-	17,366
Prior period adjustments		18,600	3	18,600	(18,597)
July 1, 2007, as restated	4,159,707	4,178,307	4,177,076	18,600	(1,231)
June 30, 2008	\$ 4,126,026	3,772,054	3,385,508	(353,972)	(386,546)

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, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	1,627,899	2,457,073	1,719,284	829,174	(737,789)
Total Revenues	1,627,899	2,457,073	1,719,284	829,174	(737,789)
Expenditures:					
Instruction	1,073,079	1,253,777	935,147	(180,698)	318,630
Support services	1,285,645	1,091,772	716,698	193,873	375,074
Noninstructional services	87,605	100,100	61,494	(12,495)	38,606
Total Expenditures	2,446,329	2,445,649	1,713,339	680	732,310
Excess (Deficiency) of Revenues Over Expenditures	(818,430)	11,424	5,945	829,854	(5,479)
Other Financing Sources (Uses):					
Operating transfers in				-	-
Operating transfers out	(11,424)	(11,424)	(5,945)	-	5,479
Total Other Financing Sources (Uses)	(11,424)	(11,424)	(5,945)	-	5,479
Net Change in Fund Balances	(829,854)	-	-	829,854	-
Fund Balances:					
July 1, 2007, as restated	-	-	-	-	-
Prior period adjustments	-	-	-	-	-
July 1, 2007, as restated	-	-	-	-	-
June 30, 2008	\$ (829,854)	-	-	829,854	-

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, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local			287		287
Sixteenth section sources	348,790	402,090	411,762	53,300	9,672
Total Revenues	<u>348,790</u>	<u>402,090</u>	<u>412,049</u>	<u>53,300</u>	<u>9,959</u>
Expenditures:					
Sixteenth section	16,000	26,000	7,355	(10,000)	18,645
Total Expenditures	<u>16,000</u>	<u>26,000</u>	<u>7,355</u>	<u>(10,000)</u>	<u>18,645</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>332,790</u>	<u>376,090</u>	<u>404,694</u>	<u>43,300</u>	<u>28,604</u>
Other Financing Sources (Uses):					
Operating transfers out	(1,000,000)	-	-	1,000,000	-
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(667,210)</u>	<u>376,090</u>	<u>404,694</u>	<u>1,043,300</u>	<u>28,604</u>
July 1, 2007	1,100,083	1,100,083	1,100,083	-	-
Prior period adjustments					
July 1, 2007, as restated	<u>1,100,083</u>	<u>1,100,083</u>	<u>1,100,083</u>	<u>-</u>	<u>-</u>
June 30, 2008	<u>\$ 432,873</u>	<u>1,476,173</u>	<u>1,504,777</u>	<u>1,043,300</u>	<u>28,604</u>

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, 2008

Budgetary Comparison Schedule

(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

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Pass-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	308,612
National school lunch program	10.555	789,135
Summer food service program for children	10.559	50,108
Total Child Nutrition Cluster		<u>1,147,855</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	614,881
Total Federal Communications Commission		<u>614,881</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Literacy through school libraries	84.364	138,444
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services- vocational rehabilitation grants to states	84.128	378
Passed-through Mississippi Department of Education:		
Title 1-grants to local educational agencies	84.010	1,719,284
Career and technical education - basic grants to states	84.048	45,149
Safe and drug-free schools and communities- state grants	84.188	31,438
Education for homeless children and youth	84.108	53,638
21st century community learning center program	84.287	167,699
State grants for innovative programs	84.298	4,352
Education technology state grants	84.318	9,515
Comprehensive school reform demonstration	84.332	8,097
Teacher quality enhancement grants	84.336	500
Reading first state grants	84.357	205,389
Rural education achievement program	84.358	124,220
Improving teacher quality - state grant	84.367	275,950
Grants for state assessments and related activities	84.389	10,075
Total		<u>2,655,304</u>
Special education cluster:		
Special education - grants to states	84.027	338,905
Special education - preschool grants	84.173	54,158
Total		<u>393,063</u>
Total U.S. Department of Education		<u>3,167,189</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	21,873
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	9,000
Total		<u>30,873</u>
Passed-through Mississippi Department of Health and Human Services:		
Corporation for National and Community Service		
Learn and serve America - school and community based programs	94.004	3,885
Total		<u>3,885</u>
Total U.S. Department of Health and Human Services		<u>34,558</u>
Total for All Federal Awards		<u>\$ 4,984,283</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2008 of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$5,078.

Humphreys County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,030,176	7,520,358	634,643	549,831	1,325,344
Other	5,200,182	1,652,247	149,051	31,691	3,367,193
Total	\$ 15,230,358	9,172,605	783,694	581,522	4,692,537

Total number of students * 1,729

Cost per student \$ 8,809 5,305 453 337 2,714

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

OTHER SUPPLEMENTAL INFORMATION

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 2,260,801	2,155,035	2,136,613	1,959,770
State sources	7,728,378	7,446,860	7,014,538	6,985,854
Federal sources	642,232	252,324	136,319	43,844
Total Revenues	<u>10,631,411</u>	<u>9,854,219</u>	<u>9,287,470</u>	<u>8,989,468</u>
Expenditures:				
Instruction	4,930,094	4,524,331	4,534,804	4,323,580
Support services	4,202,303	3,649,666	3,803,589	3,088,592
Noninstructional services			4	1,183
Debt service:				
Principal	10,152	10,152	10,152	128,633
Interest				7,784
Total Expenditures	<u>9,142,549</u>	<u>8,184,149</u>	<u>8,348,549</u>	<u>7,549,772</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,488,862</u>	<u>1,670,070</u>	<u>938,921</u>	<u>1,439,696</u>
Other Financing Sources (Uses):				
Insurance loss recoveries			457,731	
Sale of other property			780	398
Operating transfers in	14,847	310,957	112,876	90,186
Operating transfers out	(2,295,277)	(1,492,454)	(292,219)	(1,632,476)
Other financing uses		(35,880)	(500)	
Total Other Financing Sources (Uses)	<u>(2,280,430)</u>	<u>(1,217,377)</u>	<u>278,668</u>	<u>(1,541,892)</u>
Net Change in Fund Balances	<u>(791,568)</u>	<u>452,693</u>	<u>1,217,589</u>	<u>(102,196)</u>
Fund Balances:				
July 1,	4,177,073	3,655,872	2,839,011	2,944,326
Prior period adjustments	3	68,508	(400,728)	(3,119)
July 1, as restated	<u>4,177,076</u>	<u>3,724,380</u>	<u>2,438,283</u>	<u>2,941,207</u>
June 30,	<u>\$ 3,385,508</u>	<u>4,177,073</u>	<u>3,655,872</u>	<u>2,839,011</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 2,382,036	2,288,693	2,227,637	2,059,831
State sources	8,815,716	8,513,847	8,028,295	8,076,497
Federal sources	4,977,395	4,788,124	4,868,802	4,112,097
Sixteenth section sources	546,021	460,752	426,035	361,588
Total Revenues	16,721,168	16,051,416	15,550,769	14,610,013
Expenditures:				
Instruction	7,024,357	6,599,706	6,928,068	6,192,345
Support services	6,465,216	7,482,849	6,821,386	5,206,597
Noninstructional services	1,247,981	1,201,186	1,120,024	1,070,946
Sixteenth section	16,991	14,477	3,201	4,146
Facilities acquisition and construction	113,657	647,000	334,375	
Debt service:				
Principal	215,152	210,152	200,152	414,969
Interest	146,328	157,281	168,396	194,003
Other	676	695	730	746
Total Expenditures	15,230,358	16,313,346	15,576,332	13,083,752
Excess (Deficiency) of Revenues Over Expenditures	1,490,810	(261,930)	(25,563)	1,526,261
Other Financing Sources (Uses):				
Insurance loss recoveries	1,854		515,156	
Sale of other property			780	398
Operating transfers in	2,310,124	1,739,711	398,818	1,725,616
Operating transfers out	(2,310,124)	(1,739,711)	(398,818)	(1,725,616)
Other financing uses		(52,547)	(199,327)	
Total Other Financing Sources (Uses)	1,854	(52,547)	316,609	398
Net Change in Fund Balances	1,492,664	(314,477)	291,046	1,526,659
Fund Balances:				
July 1,	6,903,226	7,141,294	7,252,179	5,733,478
Prior period adjustments	(29,163)	69,473	(400,093)	(1,922)
July 1, as restated	6,874,063	7,210,767	6,852,086	5,731,556
Increase (Decrease) in reserve for inventory June 30,	(1,902)	6,936	(1,838)	(6,036)
\$	8,364,825	6,903,226	7,141,294	7,252,179

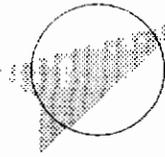
* SOURCE - PRIOR YEAR AUDIT REPORTS

HUMPHREYS COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HUMPHREYS COUNTY SCHOOL DISTRICT

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Diane Shaw Day, CPA

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, 2008, which collectively comprise the Humphreys County School District's basic financial statements and have issued my report thereon dated September 30, 2009. 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 opinions 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 2008-1 through 2008-8 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 2008-1 through 2008-3 to be material weaknesses.

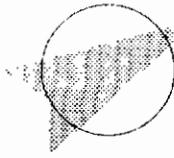
Compliance and Others Matters

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance or other matters that I have reported to management of the school district in a separate letter dated September 30, 2009, which is included in this report.

Humphreys County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit Humphreys County School District's responses and, accordingly, I express no opinion on them.

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
September 30, 2009



Day CERTIFIED PUBLIC ACCOUNTANT

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Diane Shaw Day, CPA

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Humphreys County School District

Compliance

I have audited the compliance of the Humphreys County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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.

As described in Finding 2008-9 and 2008-10 in the accompanying Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding cash management that are applicable to its Title I – Grants to Local Educational Agencies program and Special Education – Grants to States and Preschool Grants program. Compliance with such requirements is necessary, in my opinion, for the school district to comply with the requirements applicable to these programs.

In my opinion, except for the noncompliance described in the preceding paragraph, Humphreys County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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 Humphreys County 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 program 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 2008-11 through 2008-14 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 2008-11 and 2008-12 to be material weaknesses.

Humphreys County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit Humphreys County School District's responses and, accordingly, I express no opinion on them.

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.

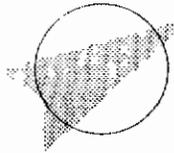

Day, CPA
September 30, 2009

HUMPHREYS COUNTY SCHOOL DISTRICT

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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Diane Shaw Day, CPA

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

Superintendent and School Board
Humphreys County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Humphreys County School District as of and for the year ended June 30, 2008, which collectively comprise Humphreys County School District's basic financial statements and have issued my report thereon dated September 30, 2009. 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 no instances of noncompliance. The district reported \$14,081 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 the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number 1 below.

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

In accordance with Section 37-9-18(3) (b), Miss. Code Ann. (1972), the correct coding of expenditures at the function level as prescribed by the Mississippi Department of Education is required.

Per review of invoices and other supporting documentation in my test of expenditures, I noted that the district used incorrect function codes for expenditures totaling \$9,138.90.

RECOMMENDATION

The district should comply with Section 37-9-18(3)(b), Miss. Code Ann. (1972), and insure the correct and appropriate coding of expenditures at the function level.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-9-18(3)(b) and insure the proper coding of expenditures at the function level.

2. FINDING

In accordance with Section 25-11-127, Miss. Code Ann. (1972), before the District hires and individual as an employee, the District should verify if the prospective employee is a current retiree of the Public Employees' Retirement System (PERS) receiving retirement benefits. If the prospective employee is a PERS retiree, and the person is determined to be an employee, the District is required to file with PERS the PERS Form 4B "Certification / Acknowledgment of Reemployment of Retiree" within five days of employment.

The district did not file with PERS, as required by Section 25-11-127, a PERS Form 4B for five (5) employees that were receiving retirement benefit, and/or maintain a copy as audit evidence.

RECOMMENDATION

The district should comply with Section 25-11-127, Miss. Code Ann. (1972), and insure that if the prospective employee is a PERS retiree, and the person is determined to be an employee, the District files with PERS the PERS Form 4B "Certification / Acknowledgment of Reemployment of Retiree" within five days of employment. The District should maintain supporting documentation, for audit, to establish compliance with state law.

SCHOOL DISTRICT'S RESPONSE

The district filed the PERS Form 4B but did not always maintain a copy. The district will implement procedures to ensure copies of all PERS Forms 4B are maintained.

3. FINDING

Section 37-57-107, Miss. Code Ann. (1972), requires ad valorem tax received in excess of the amount allowed by this code section, be placed in escrow when determining the following year's ad valorem tax request.

During my test of limitations of ad valorem taxes, I noted that the district received \$50,053 in excess of the amount allowed by Section 37-57-107, Miss. Code Ann. (1972). The excess received during the 2007-2008 year was not placed in escrow for use 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. It is recommended that the excess receipts totaling \$50,053 be addressed in the ad valorem tax request for the next available fiscal year.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-57-107 and escrow any excess ad valorem tax revenue received.

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.

The Humphreys County School District's responses to the findings included in this report were not audited and, accordingly, I express no opinion on them.

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
September 30, 2009

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HUMPHREYS COUNTY SCHOOL DISTRICT

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**HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness 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:
The Schools and Libraries Program of the Universal Service Fund
Title I Grants to Local Educational Agencies
Special Education Cluster | Unqualified
Qualified
Qualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness 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: The Schools and Libraries Program of the Universal Service Fund
CFDA # 32.XXX | |
| b. | Program name: Title I Grants to Local Educational Agencies
CFDA # 84.010 | |
| c. | 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? | Yes |

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 2: Financial Statement Findings

Material Weaknesses

2008-1 Finding

Effective financial management requires the maintenance of accurate accounting records following generally accepted accounting principles.

Per my review of the District's beginning fund balances, I noted that the several prior year audit adjustments approved by the District had not been properly recorded in the District's financial accounting system as of the year ended June 30, 2008. As a result, the beginning fund balance accounts were overstated by \$143,445, current year expenditures were overstated by \$116,348, and federal revenue was understated by \$27,097. Audit adjustments were made to correct these errors.

These misstatements were due to a lack of proper review by the District to insure that all accounting entries are properly accounted for in the financial accounting records of the District.

Recommendation

The District should implement procedures to insure that all accounting entries are properly recorded in the financial accounting records of the District.

2008-2 Finding

Effective financial management requires the maintenance of accurate accounting records following generally accepted accounting principles.

During my examination of expenditures, I noted that construction in progress totaling \$113,657, incurred during the fiscal year ended June 30, 2008, had not been recognized as a capital asset in the accounting records of the District. An audit adjustment was made to correct this error.

Failure to maintain an accurate accounting of capital assets was due to a lack of proper review by the District to insure that all capital assets are properly accounted for in the financial accounting records of the District.

Recommendation

The District should implement internal control procedures to insure that capital assets are properly included and accounted for in the financial accounting records of the District.

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

2008-3 Finding

Effective financial management requires the maintenance of accurate accounting records following generally accepted accounting principles.

During my examination of revenue, I noted that the District did not properly accrue ad valorem tax in the amount of \$52,819 at year end. An audit adjustment was made to correct this error.

Failure to recognize the accrual for ad valorem tax revenue was due to a lack of proper review by the District to insure that ad valorem tax revenue collected and owed to the District for the settlement month, June 2008, was properly accrued for the fiscal year ended June 30, 2008.

Recommendation

The district should implement internal control procedures to insure that revenue is recorded in the proper year in accordance with generally accepted accounting principles.

Significant deficiencies not considered to be material weaknesses

2008-4 Finding

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

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

- 4 Lack of proper authorization for expenditure
- 2 Lack of a purchase requisition
- 5 Lack of a purchase order
- 4 Lack of documentation of receipt of the item
- 5 Incorrect object coding
- 5 Payments made in advance of receipt of service

These exceptions represent a significant deficiency in the internal control system of the District due to a lack of controls to insure that expenditures are properly authorized, supported and properly recorded.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, purchase requisition, purchase order, where appropriate, and receiving documentation are maintained by the district and made available for audit. The district should also insure the proper coding of transactions and the payment for goods and/or services only after the goods and/or services have been received by the district.

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

2008-5 Finding

Effective financial management requires the maintenance of accurate accounting records following generally accepted accounting principles.

During further testing of expenditures, I noted that the District recorded a payment made in 2008, totaling \$26,000, as an expenditure for fiscal year ended June 30, 2008. The invoice and other supporting documentation noted that the service was rendered and accepted by the District during the prior fiscal year. The payment should have been recorded as a decrease in beginning fund balance. An audit adjustment was made to correct this error.

Failure to recognize the expenditure in the year in which the service was received resulted due to improper application of generally accepted accounting principles.

Recommendation

The district should implement internal control procedures to insure that expenditures are recorded in the proper year in accordance with generally accepted accounting principles.

2008-6 Finding

Effective financial management requires the maintenance of accurate accounting records following generally accepted accounting principles.

During my test of the cash balances and bank reconciliations of the District, I noted that the District had a check in the amount of \$19,805 listed as an outstanding check at June 30, 2008. This check had been subsequently voided by the District. However, the recorded payment and expenditure had not been reversed in the accounting system of the District. An audit adjustment was made to correct this error.

Failure to properly account for voided checks in a timely manner is due to a lack of proper review by the District to insure that all accounting entries are properly accounted for in the financial accounting records of the District.

Recommendation

The district should implement internal control procedures to insure that voided transactions are properly recorded in the accounting system of the District in accordance with generally accepted accounting principles.

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

2008-7 Finding

Effective financial management requires the maintenance of accurate accounting records following generally accepted accounting principles.

The District did not properly accrue \$13,198 in expenditures for the year ended June 30, 2008. An audit adjustment was made to correct this error.

Failure to properly accrue expenditures at year end is due to a lack of proper review by the District to insure that all accounting entries are properly accounted for in the financial accounting records of the District.

Recommendation

The district should implement internal control procedures to insure that accrued expenditures are properly recorded in the accounting system of the District in accordance with generally accepted accounting principles.

2008-8 Finding

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

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

- 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.

Recommendation

The district should 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, 2008

Section 3: Federal Award Findings and Questioned Costs

Material Noncompliance

2008-9 Finding

Compliance Requirements: Cash Management

Program: Title 1 – Grants to local educational agencies
 Program - CFDA # 84.010;
 U. S. Department of Education; Mississippi
 Department of Education

Federal program guidelines regarding cash management indicate that program reimbursements be limited to expenditures and obligations incurred such that cash on hand is kept to a minimum.

For five (5) months of the fiscal year, the District requested reimbursement of program funds in excess of immediate needs that resulted in excessive amounts of program cash on hand for each month.

The cause of this condition was the result of control deficiencies that allowed an excess draw down of cash and a failure to detect and correct this error in a timely manner.

Recommendation

The district should implement procedures to insure that the proper internal controls are implemented and working effectively to prevent, and/or detect in a timely manner, the excess draw down of cash in accordance with the program guidelines.

2008-10 Finding

Compliance Requirements: Cash Management

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

Federal program guidelines regarding cash management indicate that program reimbursements be limited to expenditures and obligations incurred such that cash on hand is kept to a minimum.

For twelve (12) months of the fiscal year, the District requested reimbursement of program funds in excess of immediate needs that resulted in excessive amounts of program cash on hand for each month.

The cause of this condition was the result of control deficiencies that allowed an excess draw down of cash and a failure to detect and correct this error in a timely manner.

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Recommendation

The district should implement procedures to insure that the proper internal controls are implemented and working effectively to prevent, and/or detect in a timely manner, the excess draw down of cash in accordance with the program guidelines.

Material Weaknesses

2008-11 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

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

I noted the following exception during my examination of the Special Education Cluster:

- The district did not properly prepare, use for payroll processing and maintain proper supporting documentation for time and attendance for the Special Education Director. This employee was assigned both federal and non-federal responsibilities.

Questioned Cost: \$56,000

This exception represents a material weakness in the internal control system of the District due to a lack of controls to insure that time and attendance for employee that are assigned both federal and non-federal responsibilities, are properly prepared, used for payroll processing, maintained by the District and made available for audit examination.

Recommendation

The district should implement procedures to insure that the proper supporting documentation for time and attendance for employees with both federal and non-federal responsibilities is properly utilized in processing payroll, properly 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, 2008

2008-12 Finding

Compliance Requirements: Allowable Costs/ Cost Principles

Program: The Schools and Libraries Program of the Universal Service Fund
CFDA # 32.XXX
Federal Communications Commission;
Universal Service Administrative Company

Management is responsible for establishing a proper internal control system to insure compliance with Federal Communications Commission's (FCC) Title 47 of the Code of Federal Regulations (C.F.R.) Part 54 Rules and Regulations, as amended, and related FCC Orders related to disbursements for telecommunication, internal connections and basic maintenance of internal connections services made from the Universal Service Fund.

I noted the following exception during my examination of the Schools and Libraries Program of the Universal Service (Erate) Fund:

- The district purchased five (5) internal connection switches for installation at McNair Upper Elementary School, as approved by the Universal Service Administrative Company (USAC). The five (5) switches were never installed or used at the approved elementary school location. One of the switches had been installed in the District's central office to provide internet access throughout the district. This transfer occurred within three years of its purchase and was not communicated to USAC. I observed that the other four (4) switches had not been installed as of the date of my site visit.

Questioned Cost: \$21,890

Federal guidelines require that the school must use recurring services for which discounts have been committed by USAC within the Funding Year for which the discounts were sought. Federal guidelines also state that the transfer of such services shall not be transferred for a period of three years after the purchase, with the exception that services may be transferred to another eligible school in the event of closure of the originally approved school. In such a case, the District must notify the Universal Service Administrator.

This exception represents a material weakness in the District's internal controls to insure a proper assessment of their technology needs prior to ordering internal connections from USAC. The District also did not have effective policies and procedures in place to insure the proper transfer of equipment purchased with Universal Service Funds.

Recommendation

The district should implement procedures to insure a proper assessment of their technology needs prior to ordering internal connections from USAC. The District should also develop and implement effective policies and procedures to insure the proper transfer of equipment purchased with Universal Service Funds.

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Significant deficiencies not considered to be material weaknesses

2008-13 Finding

Compliance Requirements: Allowable Costs/ Cost Principles

Program: Title 1 – Grants to local educational agencies
 Program - CFDA # 84.010;
 U. S. Department of Education; Mississippi
 Department of Education

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

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

Non-Payroll Expenditures

- 2 Lack of proper authorization for expenditure
- 2 Lack of documentation of receipt of the item
- 1 Payment 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 2008-4 and 2008-8 of this report.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization and receiving documentation, are maintained by the district and made available for audit. The district should also insure the payment for goods and/or services only after the goods and/or services have been received by the district. The district should further 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, 2008

2008-14 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

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

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

Non-Payroll Expenditures

- 1 Lack of proper authorization for expenditure
- 1 Lack of documentation of receipt of the item
- 1 Payment made in advance of receipt of service
- 2 Lack of a purchase requisition
- 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 2008-4 and 2008-8 of this report.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, purchase requisition and receiving documentation, are maintained by the district and made available for audit. The district should also insure the proper coding of transactions and the payment for goods and/or services only after the goods and/or services have been received by the district. The district should further 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

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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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

2008-1

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 ensure all accounting entries (to include prior year audit adjustments) are properly recorded in the financial records.

C. Completion Date: 6/30/09

2008-2

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 procedures to ensure all accounting entries are properly recorded in the financial records.

C. Completion Date: 6/30/09

2008-3

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 ensure revenue is properly recorded in the proper accounting year.

C. Completion Date: 6/30/09

2008-4

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 policies and procedures to ensure 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, and payment is made only after receipt of goods/services. Ongoing training and monitoring is provided to business office, school administrators and staff.

C. Completion Date: Ongoing

2008-5

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 internal control procedures to ensure all expenditures are properly recorded in the financial records in the correct period.

C. Completion Date: 6/30/09

2008-6

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 internal control procedures to ensure voided transactions are recorded in the financial records in accordance with GAAP.

C. Completion Date: 6/30/09

2008-7

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 internal control procedures to include a review of year end accruals to ascertain that expenditures are properly recorded in the financial records.

C. Completion Date: 6/30/09

2008-8

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 ensure non-exempt employees' pay is calculated using time and attendance records. Also, proper documentation authorizing voluntary/involuntary withholdings will be maintained.

C. Completion Date: Ongoing

2008-9

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 ensure no excess funds are drawn.

C. Completion Date: 4/30/09

2008-10

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:

The district will implement procedures to ensure no excess funds are drawn.

C. Completion Date: 4/30/09

2008-11

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 ensure timesheets are completed and maintained for employees with federal and non-federal responsibilities. These timesheets will be utilized in processing payroll and maintained for audit purposes.

C. Completion Date: To be implemented July 2009

2008-12

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:

The district will implement procedures to ensure proper transfer and purchase of equipment based on technological needs.

C. Completion Date: 6/30/09

2008-13

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 responses noted at 2008-4 and 2008-8.

2008-14

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:

See responses noted at 2008-4 and 2008-8.

Sincerely,



Bonnie Horton
Superintendent



Humphreys County School District
Bonnie Horton, Superintendent of Education

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

June 29, 2009

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____ .315(b) of OMB Circular A-133, the Humphreys County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<u>Finding</u>	<u>Status</u>
2007-10	The district has implemented policies/procedures to ensure all supporting documents for expenditure transactions are maintained and continues to monitor and revise as needed. Additionally, the district has provided and continues to provide training to business office personnel to ensure all transactions are properly authorized, coded, include proper supporting documentation and in compliance with state purchasing laws. The district is in the process of reviewing computerized time and attendance systems that will interface with the recently-converted Windows-based accounting software.
2007-11	Corrective action was taken.
2007-12	Refer to status noted at 2007-10 above.
2007-13	Refer to status noted at 2007-10 above.
2007-14	Corrective action was taken.

Sincerely,

Bonnie Horton
Superintendent