

HUMPHREYS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2009

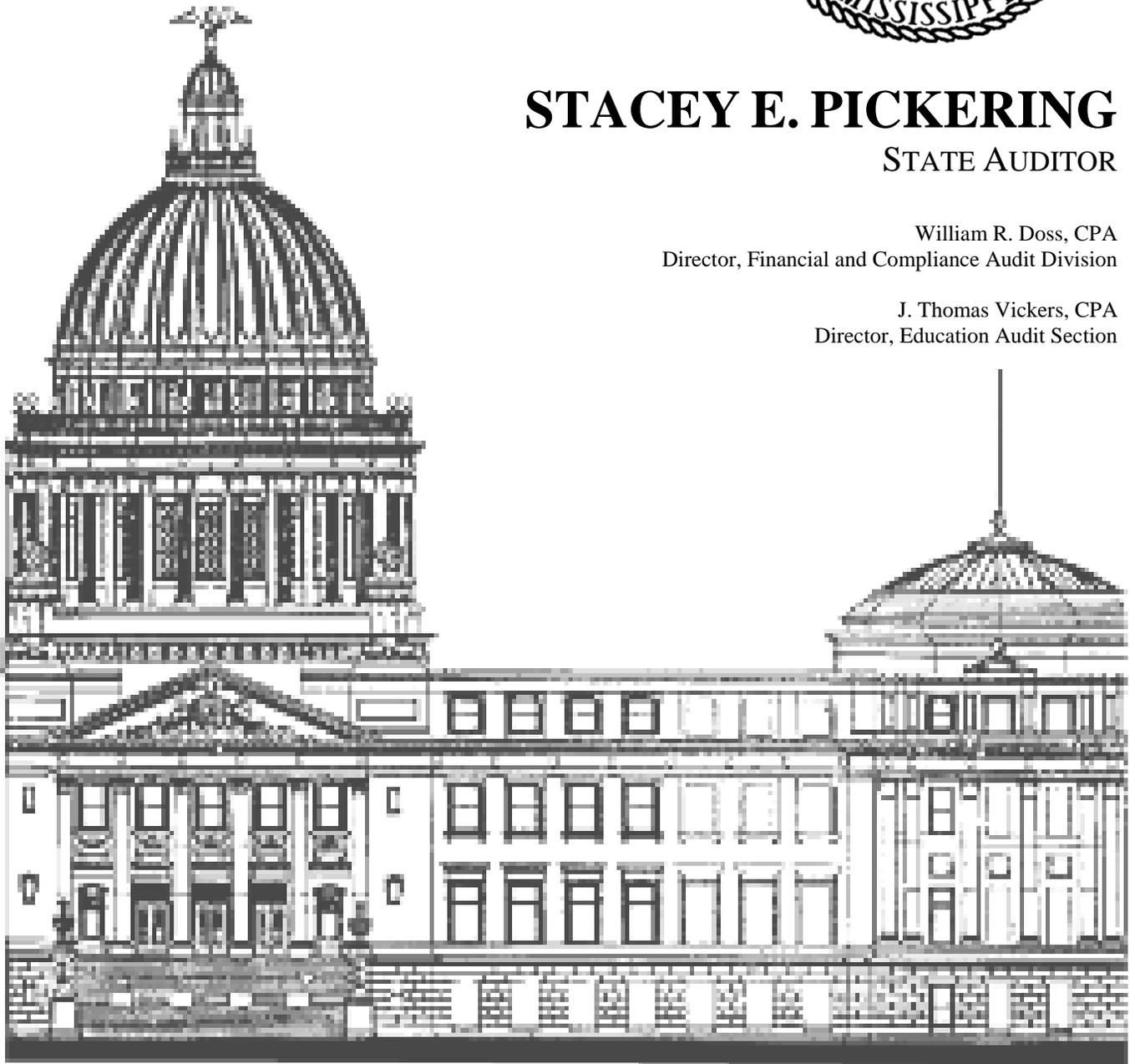


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

J. Thomas Vickers, CPA
Director, Education Audit Section



A Report from the Education Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

January 28, 2011

Members of the School Board
Humphreys County School District

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for the Humphreys County School District. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the Superintendent and other employees of the Humphreys County School District throughout the audit. Thank you for working to move Mississippi forward by serving as a board member for the Humphreys County School District. If I or this office can be of any further assistance, please contact me or Tommy Vickers of my staff at (601) 576-2666.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

HUMPHREYS COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Humphreys County School District

We 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, 2009, 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Humphreys County School District, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, on our consideration of the Humphreys County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 our 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, we express no opinion on it.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 28, 2011

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, 2009

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, 2009. 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 2009 increased \$1,627,825, including a prior period adjustment of (\$14,132), which represents 9.20% increase from fiscal year 2008. Total net assets for 2008 increased \$1,081,758, which represents a 6.51% increase from fiscal year 2007.
- General revenues amounted to \$11,420,720 and \$11,772,020, or 68.72% and 70.39% of all revenues for fiscal years 2009 and 2008, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,198,381, or 31.28 % of total revenues for 2009, and \$4,951,002, or 29.61% of total revenues for 2008.
- The District had \$14,977,144 and \$15,612,101 in expenses for fiscal years 2009 and 2008; only \$5,198,381 for 2009 and \$4,951,002 for 2008 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,420,720 for 2009 and \$11,772,020 for 2008 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,258,667 in revenues and \$8,381,104 in expenditures for 2009, and \$10,631,411 in revenues and \$9,142,549 in expenditures in 2008. The General Fund's fund balance increased by \$1,112,337, including a prior period adjustment of (\$49,125), from 2008 to 2009, and decreased by \$791,565 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, increased by \$194,233 for 2009 and decreased by \$592,733 for 2008. The increase for 2009 was due primarily to construction in progress and an increase in accumulated depreciation of \$802,581.
- Long-term debt decreased by \$123,076 for 2009 and decreased by \$215,151 for 2008. In addition, the liability for compensated absences increased by \$12,143 for 2009 and increased by \$6,594 for 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 supplemental 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.

HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

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

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

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

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. The governmental funds' balance sheet is reconciled to the Statement of Net Assets, and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities 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 funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined 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 supplemental 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 major special revenue fund.

HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Also, included in the other supplemental information section are 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.

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 \$19,327,693 as of June 30, 2009.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net assets at June 30, 2009 and June 30, 2008.

Table 1
Condensed Statement of Net Assets

	June 30, 2009	June 30, 2008	Percentage Change
Current assets	\$ 9,778,798	8,557,950	14.27 %
Restricted assets	339,341	194,615	74.37 %
Capital assets, net	12,745,637	12,551,404	1.55 %
Total assets	22,863,776	21,303,969	7.32 %
Current liabilities	488,858	445,943	9.62 %
Long-term debt outstanding	3,047,225	3,158,158	(3.51) %
Total liabilities	3,536,083	3,604,101	(1.89) %
Net assets:			
Invested in capital assets, net of related debt	9,885,437	9,481,404	4.26 %
Restricted	4,971,526	4,921,114	1.02 %
Unrestricted	4,470,730	3,297,350	35.59 %
Total Net assets	\$ 19,327,693	17,699,868	9.20 %

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

- Increase in net capital assets in the amount of \$194,233.
- The principal retirement and refunding of \$3,075,076 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2009 and June 30, 2008 were \$16,619,101 and \$16,723,022, respectively. The total cost of all programs and services was \$14,977,144 for 2009 and \$15,612,101 for 2008. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

**HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Table 2
Changes in Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 231,270	211,623	9.28 %
Operating grants and contributions	4,967,111	4,739,379	4.81 %
General revenues:			
Property taxes	1,983,401	1,951,138	1.65 %
Grants and contributions not restricted	8,638,435	9,053,731	(4.59) %
Investment earnings	218,780	194,978	12.21 %
Sixteenth section sources	552,126	498,767	10.70 %
Other	27,978	73,406	(61.89) %
Total Revenues	16,619,101	16,723,022	(0.62) %
Expenses:			
Instruction	7,491,409	7,296,487	2.67 %
Support services	6,120,921	6,889,549	(11.16) %
Non-instructional	1,284,118	1,266,405	1.40 %
Sixteenth section	31,723	16,991	86.70 %
Interest and other expenses on long-term liabilities	48,973	142,669	(65.67) %
Total Expenses	14,977,144	15,612,101	(4.07) %
Increase in net assets	1,641,957	1,110,921	47.80 %
Net Assets, July 1	17,699,868	16,618,110	6.51 %
Prior Period Adjustments	(14,132)	(29,163)	(51.54) %
Net Assets Restated, July 1	17,685,736	16,588,947	6.61 %
Net Assets, June 30	\$ 19,327,693	17,699,868	9.20 %

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses on long-term debt. The table also shows each functional activity'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.

HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2009	2008	
Instruction	\$ 7,491,409	7,296,487	2.67 %
Support services	6,120,921	6,889,549	(11.16) %
Non-instructional	1,284,118	1,266,405	1.40 %
Sixteenth section	31,723	16,991	86.70 %
Interest and other expenses on long-term liabilities	48,973	142,669	(65.67) %
Total Expenses	\$ 14,977,144	15,612,101	(4.07) %

	Total (Expense) Revenue		Percentage Change
	2009	2008	
Instruction	\$ (5,420,494)	(5,352,350)	1.27 %
Support services	(4,323,458)	(5,130,389)	(15.73) %
Non-instructional	35,798	(19,150)	(286.93) %
Sixteenth section	(21,636)	(16,541)	30.80 %
Interest and other expenses on long-term liabilities	(48,973)	(142,669)	(65.67) %
Total Net (Expense) Revenue	\$ (9,778,763)	(10,661,099)	(8.28) %

- Net cost of governmental activities, (\$9,778,763 and \$10,661,099) was financed by general revenue, which is made up of primarily property taxes of (\$1,983,401 for 2009 and \$1,951,138 for 2008) and state and federal revenues of (\$8,638,435 for 2009 and \$9,053,731 for 2008). In addition, there was \$552,126 and \$498,767 in Sixteenth Section sources for 2009 and 2008, respectively.
- Investment earnings amounted to \$218,780 for 2009 and \$194,978 for 2008.

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 \$9,578,281, an increase of \$1,213,456, which includes a prior period adjustment of (\$20,917) and a decrease in inventory of \$4,193. \$7,458,976 or 77.87% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,119,305 or 22.13% is reserved or designated to indicate that it is not available for spending because it has already been committed. \$1,365,936 or 64.45% of the reserved fund balance is designated for the construction of a new cafeteria.

HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,112,337, including a prior period adjustment of (\$49,125). The fund balance of Other Governmental Funds showed a decrease in the amount of \$347,660, which includes a prior period adjustment of \$28,214, a fund equity reclassification of (\$335,075) and a decrease in the reserve for inventory of \$4,193. The increases (decreases) in the fund balance for the other major funds were as follows:

Major Fund	Increase (Decrease)	
Title I Fund	no increase or decrease	
16 th Section Interest Fund	\$	907,990
Ida Greene Building Fund	\$	(408,437)
MAEP Bond Retirement Fund	\$	(50,774)

BUDGETARY HIGHLIGHTS

During 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 major special revenue funds is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the District's total capital assets were \$23,018,272, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$996,814 from 2008. Total accumulated depreciation as of June 30, 2009, was \$10,272,635, and total depreciation expense for the year was \$932,125, resulting in total net capital assets of \$12,745,637.

Table 4
Capital Assets

	Capital Assets, Net of Depreciation		Percentage Change
	June 30, 2009	June 30, 2008	
Land	\$ 68,107	68,107	0.00 %
Construction in Progress	1,122,069	113,657	887.24 %
Buildings	8,931,201	9,066,925	(1.50) %
Building improvements	1,653,896	1,783,417	(7.26) %
Improvements other than buildings	190,269	246,108	(22.69) %
Mobile equipment	478,483	476,543	0.41 %
Furniture and equipment	301,612	796,647	(62.14) %
Total	\$ 12,745,637	12,551,404	1.55 %

Debt Administration. At June 30, 2009, the District had \$3,047,225 in outstanding long-term debt, of which \$152,000 is due within one year. The liability for compensated absences at June 30, 2009 was \$95,225, an increase of \$12,143 from the prior year.

The District maintains an AA- bond rating.

HUMPHREYS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Table 5
Outstanding Long-Term Debt

	Outstanding Long-term Debt		Percentage Change
	June 30, 2009	June 30, 2008	
Limited obligation bonds payable	\$ 2,952,000	3,070,000	(3.84) %
Other loans payable	-	5,076	(100.00) %
Compensated absences payable	95,225	83,082	14.62 %
Total	\$ 3,047,225	3,158,158	(3.51) %

Additional information on the District's long-term debt can be found 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 revenues.

Enrollment for the 2008-2009 year decreased by 1.62 % to 1,797 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 9,020,478
Due from other governments	728,037
Other receivables, net	1
Inventories	3,664
Deferred charges	26,618
Restricted assets	339,341
Capital assets, non-depreciable:	
Land	68,107
Construction in progress	1,122,069
Capital assets, net of accumulated depreciation:	
Buildings	8,931,201
Building improvements	1,653,896
Improvements other than buildings	190,269
Mobile equipment	478,483
Furniture and equipment	<u>301,612</u>
Total Assets	<u>22,863,776</u>
Liabilities	
Accounts payable and accrued liabilities	497,942
Unearned revenue	15,298
Interest payable on long-term liabilities	40,800
Deferred charge on refunding	(65,182)
Long-term liabilities, due within one year	
Capital related liabilities	152,000
Long-term liabilities, due beyond one year	
Capital related liabilities	2,800,000
Non-capital related liabilities	<u>95,225</u>
Total Liabilities	<u>3,536,083</u>
Net Assets	
Invested in capital assets, net of related debt	9,885,437
Restricted net assets:	
Expendable:	
School-based activities	2,896,685
Debt service	283,202
Capital improvements	1,365,936
Forestry improvements	107,540
Unemployment benefits	40,722
Non-expendable:	
Sixteenth section	204,529
Other	72,912
Unrestricted	<u>4,470,730</u>
Total Net Assets	<u>\$ 19,327,693</u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2009

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 7,491,409	96,572	1,974,343		(5,420,494)
Support services	6,120,921	1,475	1,795,988		(4,323,458)
Non-instructional	1,284,118	123,136	1,196,780		35,798
Sixteenth section	31,723	10,087			(21,636)
Interest and other expenses on long-term liabilities	48,973				(48,973)
Total Governmental Activities	\$ 14,977,144	231,270	4,967,111	0	(9,778,763)
General Revenues:					
Taxes:					
General purpose levies					
					1,983,401
Unrestricted grants and contributions:					
State					
					8,511,776
Federal					
					126,659
Unrestricted investment earnings					
					218,780
Sixteenth section sources					
					552,126
Other					
					27,978
Total General Revenues					
					11,420,720
Change in Net Assets					
					1,641,957
Net Assets - Beginning					
					17,699,868
Prior Period Adjustments					
					(14,132)
Net Assets - Beginning - Restated					
					17,685,736
Net Assets - Ending					
					\$ 19,327,693

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

HUMPHREYS COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2009

Exhibit C

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	16th Section Interest Fund	Ida Greene Building Fund	MAEP Bond Retirement Fund		
ASSETS							
Cash and cash equivalents	\$ 4,016,229	96,476	2,416,767	1,825,076		865,459	9,220,007
Cash with fiscal agents					139,812		139,812
Due from other governments	112,745	215,883			184,189	210,220	723,037
Other receivables, net					1		1
Due from other funds	409,993					53,931	463,924
Advance to other funds	5,000						5,000
Inventories						3,664	3,664
Total Assets	\$ 4,543,967	312,359	2,416,767	1,825,076	324,002	1,133,274	10,555,445
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 41,191	48,278	4,000	347,369		57,104	497,942
Due to other funds	4,931	264,081				194,912	463,924
Unearned revenue						15,298	15,298
Total Liabilities	46,122	312,359	4,000	347,369	0	267,314	977,164
Fund Balances:							
Reserved for:							
Advances	5,000						5,000
Inventory						3,664	3,664
Ad valorem	72,912						72,912
Capital projects				1,365,936			1,365,936
Debt service					324,002		324,002
Unemployment benefits						40,722	40,722
Forestry improvement purposes						107,540	107,540
Permanent fund purposes						199,529	199,529
Unreserved:							
Undesignated, reported in:							
General Fund	4,419,933						4,419,933
Special Revenue Funds			2,412,767			480,254	2,893,021
Capital Project Funds				111,771		34,251	146,022
Total Fund Balances	4,497,845	0	2,412,767	1,477,707	324,002	865,960	9,578,281
Total Liabilities and Fund Balances	\$ 4,543,967	312,359	2,416,767	1,825,076	324,002	1,133,274	10,555,445

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, 2009

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,578,281
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$10,272,635.	12,745,637
2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(3,047,225)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(40,800)
4. Governmental funds report the effect of bond issuance costs and the refunding of debt when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	<u>91,800</u>
Total Net Assets - Governmental Activities	<u>\$ 19,327,693</u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2009

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	16th Section Interest Fund	Ida Greene Building Fund	MAEP Bond Retirement Fund		
Revenues:							
Local sources	\$ 2,239,699				818	143,616	2,384,133
State sources	7,891,609				368,378	847,003	9,106,990
Federal sources	127,359	1,714,532				2,656,666	4,498,557
Sixteenth section sources			604,638			17,406	622,044
Total Revenues	10,258,667	1,714,532	604,638	0	369,196	3,664,691	16,611,724
Expenditures:							
Instruction	4,885,349	918,149				1,399,577	7,203,075
Support services	3,490,183	681,706		130		1,423,444	5,595,463
Noninstructional services	496	87,328				1,172,890	1,260,714
Sixteenth section			31,723				31,723
Facilities acquisition and construction				1,008,307			1,008,307
Debt service:							
Principal	5,076				220,000		225,076
Interest					55,626		55,626
Other					37,368		37,368
Total Expenditures	8,381,104	1,687,183	31,723	1,008,437	312,994	3,995,911	15,417,352
Excess (Deficiency) of Revenues over Expenditures	1,877,563	27,349	572,915	(1,008,437)	56,202	(331,220)	1,194,372
Other Financing Sources (Uses):							
Proceeds of refunding bonds					2,952,000		2,952,000
Insurance loss recoveries	7,376						7,376
Payment to refunded bond escrow agent					(2,915,182)		(2,915,182)
Operating transfers in	208,551			600,000		335,268	1,143,819
Operating transfers out	(932,028)	(27,343)			(143,794)	(40,654)	(1,143,819)
Total Other Financing Sources (Uses)	(716,101)	(27,343)	0	600,000	(106,976)	294,614	44,194

HUMPHREYS COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2009

	<u>Major Funds</u>						<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Title I Fund</u>	<u>16th Section Interest Fund</u>	<u>Ida Greene Building Fund</u>	<u>MAEP Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	
Net Change in Fund Balances	<u>1,161,462</u>	<u>6</u>	<u>572,915</u>	<u>(408,437)</u>	<u>(50,774)</u>	<u>(36,606)</u>	<u>1,238,566</u>
Fund Balances:							
July 1, 2008, as originally reported	3,385,508		1,504,777	1,886,144	374,776	1,213,620	8,364,825
Prior period adjustments	(49,125)	(6)				28,214	(20,917)
Fund equity reclassification			<u>335,075</u>			<u>(335,075)</u>	
July 1, 2008, as restated	<u>3,336,383</u>	<u>(6)</u>	<u>1,839,852</u>	<u>1,886,144</u>	<u>374,776</u>	<u>906,759</u>	<u>8,343,908</u>
Decrease in reserve for inventory						<u>(4,193)</u>	<u>(4,193)</u>
June 30, 2009	\$ <u><u>4,497,845</u></u>	<u><u>0</u></u>	<u><u>2,412,767</u></u>	<u><u>1,477,707</u></u>	<u><u>324,002</u></u>	<u><u>865,960</u></u>	<u><u>9,578,281</u></u>

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, 2009

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,238,566
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 purchases and construction in progress amounted to \$1,120,814 and the depreciation expense amounted to \$932,125.	188,689
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities for governmental activities.	(2,952,000)
3. 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 Net Assets.	3,075,076
4. Governmental funds report the effect of bond issuance costs and the refunding of debt when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	
Deferred charges on refunding debt	102,000
Amortization of deferred charges on refunding debt	(10,200)
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	17,403
6. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(1,241)
7. 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 Activities.	(4,193)
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(12,143)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,641,957</u></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, 2009

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>563,842</u>
Total Assets	\$ <u><u>563,842</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 519,418
Advance from other funds	5,000
Due to student clubs	<u>39,424</u>
Total Liabilities	\$ <u><u>563,842</u></u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2009

(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 is 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 non-fiduciary 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 non-fiduciary 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 of 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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 taxes and other items not properly included among program revenues are reported instead as general revenues.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2009

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 in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I Fund - 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 - These funds serve 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.

Ida Greene Building Fund - This fund 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's general fund.

MAEP Bond Retirement Fund - This fund is a debt service fund to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs regarding the State Aid Capital bond.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL 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.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2009

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.

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 taxes, 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 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*, 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 the Financial Statements
For the Year Ended June 30, 2009

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

Activities 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.

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.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets 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 applicable governmental or business type 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 table below 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 the capitalization 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.

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 a long-term liability 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.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 are descriptions 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.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is 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 is 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.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(2) Cash and Cash Equivalents and Cash with Fiscal Agents.

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

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

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 \$9,359,819 and \$563,842, respectively. The bank balance was \$10,276,168.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(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	\$ 264,081
General Fund	Other governmental funds	145,912
Other governmental funds	General Fund	4,931
Other governmental funds	Other governmental funds	<u>49,000</u>
Total		\$ <u><u>463,924</u></u>

Interfund loans were established primarily to cover federal funds not received prior to year end.

B. Advances To/From Other Funds.

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

The advance was made from District Maintenance to the Accounts Payable Clearing Fund to ensure a sufficient cash balance is maintained in the fund at all times.

C. Interfund Transfers.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Ida Greene Building Fund	\$ 600,000
General Fund	Other governmental funds	332,028
Title I Fund	General Fund	27,343
MAEP Bond Retirement Fund	General Fund	143,794
Other governmental funds	General Fund	37,414
Other governmental funds	Other governmental funds	<u>3,240</u>
Total		\$ <u><u>1,143,819</u></u>

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling \$199,529, 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.

In addition the restricted assets represent the cash with fiscal agent balance, totaling \$139,812, of the MAEP Bond Retirement Fund.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(5) Capital Assets.

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

	Balance <u>7/1/2008</u>	<u>Additions</u>	<u>Retirement</u>	<u>Completed Construction</u>	<u>Adjustments*</u>	Balance <u>6/30/2009</u>
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 68,107					68,107
Construction in progress	<u>113,657</u>	<u>1,008,307</u>			<u>105</u>	<u>1,122,069</u>
Total non-depreciable capital assets	<u>181,764</u>	<u>1,008,307</u>			<u>105</u>	<u>1,190,176</u>
<u>Depreciable capital assets:</u>						
Buildings	13,778,738				84,426	13,863,164
Building improvements	2,150,905				(8,426)	2,142,479
Improvements other than buildings	483,951				(76,000)	407,951
Mobile equipment	1,316,990	79,461				1,396,451
Furniture and equipment	<u>4,109,110</u>	<u>33,046</u>	<u>124,104</u>		<u>(1)</u>	<u>4,018,051</u>
Total depreciable capital assets	<u>21,839,694</u>	<u>112,507</u>	<u>124,104</u>		<u>(1)</u>	<u>21,828,096</u>
<u>Less accumulated depreciation for:</u>						
Buildings	4,711,813	240,413			(20,263)	4,931,963
Building improvements	367,488	81,575			39,520	488,583
Improvements other than buildings	237,843	19,358			(39,519)	217,682
Mobile equipment	840,447	77,522			(1)	917,968
Furniture and equipment	<u>3,312,463</u>	<u>513,257</u>	<u>122,863</u>		<u>13,582</u>	<u>3,716,439</u>
Total accumulated depreciation	<u>9,470,054</u>	<u>932,125</u>	<u>122,863</u>		<u>(6,681)</u>	<u>10,272,635</u>
Total depreciable capital assets, net	<u>12,369,640</u>	<u>(819,618)</u>	<u>1,241</u>		<u>6,680</u>	<u>11,555,461</u>
Governmental activities capital assets, net	<u>\$ 12,551,404</u>	<u>188,689</u>	<u>1,241</u>		<u>6,785</u>	<u>12,745,637</u>

*Adjustments were recorded to correctly classify capital assets and to correct the accumulated depreciation due to errors in calculating salvage values and estimated useful lives.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 279,834
Support services	633,688
Non-instructional	<u>18,603</u>
Total Depreciation Expense	<u>\$ 932,125</u>

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Commitments under construction contracts at June 30, 2009, are summarized as follows:

	<u>Spent to June 30, 2009</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Ida Greene Cafeteria Building	\$ <u>1,122,069</u>	<u>1,365,936</u>
Total	\$ <u><u>1,122,069</u></u>	<u><u>1,365,936</u></u>

(6) Long-term Liabilities.

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

	<u>Balance 7/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2009</u>	<u>Amounts due within one year</u>
A. Limited obligation bonds payable	\$ 3,070,000	2,952,000	3,070,000	2,952,000	152,000
B. Other loans payable	5,076		5,076	-	
C. Compensated absences payable	83,082	12,143		95,225	
Total	\$ <u><u>3,158,158</u></u>	<u><u>2,964,143</u></u>	<u><u>3,075,076</u></u>	<u><u>3,047,225</u></u>	<u><u>152,000</u></u>

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:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement refunding bonds, Series 2008	3.35%	7/28/2008	2/1/2018	<u>2,952,000</u>	<u>2,952,000</u>
Total				\$ <u><u>2,952,000</u></u>	<u><u>2,952,000</u></u>

Details of the district's limited obligation bonds indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 152,000	96,346	248,346
2011	270,000	89,278	359,278
2012	280,000	80,065	360,065
2013	290,000	70,517	360,517
2014	300,000	60,635	360,635
2015 – 2019	<u>1,660,000</u>	<u>137,015</u>	<u>1,797,015</u>
Total	\$ <u><u>2,952,000</u></u>	<u><u>533,856</u></u>	<u><u>3,485,856</u></u>

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

This debt will be retired from the MAEP Bond Retirement Fund.

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.

Current Refunding.

On July 28, 2008, the district issued \$2,952,000 in State Aid Capital Improvement Bonds, Series 2008 limited obligation bonds with an interest rate of 3.35 percent to advance refund \$2,850,000 of outstanding limited obligation bonds with an average interest rate of 4.60 percent. The net proceeds of \$2,915,182 after payments of \$36,818 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the limited obligation bonds.

As a result, the State Aid Capital Improvement Bonds, Series 1998, are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the State Aid Capital Improvement Bonds, Series 1998, to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$151,299 and to realize an economic gain of \$152,420.

B. Other loans payable.

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

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos abatement loan	0.00%	4/20/1989	11/20/2008	182,728	-
Total				\$ 182,728	-

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) Other Commitments.

Operating leases:

The school district has operating leases for a postage machine and a digital copier and finisher.

Lease expenditures for the year ended June 30, 2009, amounted to \$4,632.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2010	\$ 4,632
2011	1,176
2012	1,176
2013	1,176
2014	294
Total	<u>\$ 8,454</u>

(8) 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 ended June 30, 2009 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, 2009, 2008 and 2007 were \$869,621, \$854,653 and \$794,379, respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom 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
2010	\$ 350,728
2011	271,646
2012	271,646
2013	200,460
2014	162,780
2015 – 2019	27,700
2020 – 2024	20,000
2025 – 2029	18,400
Thereafter	<u>16,800</u>
Total	<u>\$ 1,340,160</u>

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(10) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. Prior year audit adjustments made in current year	\$ (20,917)
2. Adjustments to correctly classify capital assets and to correct the accumulated depreciation due to errors in calculating salvage values and estimated useful lives	<u>6,785</u>
Total	\$ <u><u>(14,132)</u></u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Prior year audit adjustments made in current year	\$ (49,125)
Title I	Prior year audit adjustments made in current year	(6)
Other governmental funds	Prior year audit adjustments made in current year	<u>28,214</u>
Total		\$ <u><u>(20,917)</u></u>

(11) 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, 2009, the single audit performed on these federal grants disclosed a material instance 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.

(12) 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.

HUMPHREYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 72 school districts 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.

(13) Insurance loss recoveries.

The Humphreys County School District received \$7,376 in insurance loss recoveries related to building awning damage during the 2008-2009 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as Charges for Services and allocated among the expenditure functions as follows:

	<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expenditure Function</u>
\$	5,163	70%	Instruction
	1,475	20%	Support services
	<u>738</u>	<u>10%</u>	Non-instructional
\$	<u><u>7,376</u></u>	<u><u>100%</u></u>	

(14) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the school district evaluated the activity of the district through January 28, 2011 (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

In December, 2009, the school district issued a \$750,000 Limited-Tax Note, Series 2009-A (Qualified School Construction Bond). The bonds bear interest at 0.69% and mature on September 15, 2024.

In December, 2009, the school district issued a \$750,000 Limited-Tax Note, Series 2009-B (Qualified School Construction Bond). The bonds bear interest at 0.69% and mature on September 15, 2024.

HUMPHREYS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

HUMPHREYS COUNTY SCHOOL DISTRICT

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HUMPHREYS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Local sources	\$ 2,120,962	2,260,912	2,239,699	139,950	(21,213)
State sources	7,878,790	8,226,774	7,891,609	347,984	(335,165)
Federal sources	35,000	104,650	127,359	69,650	22,709
Total Revenues	<u>10,034,752</u>	<u>10,592,336</u>	<u>10,258,667</u>	<u>557,584</u>	<u>(333,669)</u>
Expenditures:					
Instruction	4,916,480	5,397,586	4,885,349	(481,106)	512,237
Support services	4,154,091	4,264,815	3,490,183	(110,724)	774,632
Noninstructional services		5,590	496	(5,590)	5,094
Debt service:					
Principal	5,076	5,076	5,076		
Total Expenditures	<u>9,075,647</u>	<u>9,673,067</u>	<u>8,381,104</u>	<u>(597,420)</u>	<u>1,291,963</u>
Excess (Deficiency) of Revenues over Expenditures	<u>959,105</u>	<u>919,269</u>	<u>1,877,563</u>	<u>(39,836)</u>	<u>958,294</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		7,400	7,376	7,400	(24)
Operating transfers in		180,000	208,551	180,000	28,551
Operating transfers out	(400,000)	(830,000)	(932,028)	(430,000)	(102,028)
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(642,600)</u>	<u>(716,101)</u>	<u>(242,600)</u>	<u>(73,501)</u>
Net Change in Fund Balances	<u>559,105</u>	<u>276,669</u>	<u>1,161,462</u>	<u>(282,436)</u>	<u>884,793</u>
Fund Balances:					
July 1, 2008, as originally reported			3,385,508		3,385,508
Prior period adjustments			(49,125)		(49,125)
July 1, 2008, as restated			<u>3,336,383</u>		<u>3,336,383</u>
June 30, 2009	\$ <u>559,105</u>	<u>276,669</u>	<u>4,497,845</u>	<u>(282,436)</u>	<u>4,221,176</u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,828,502	2,570,215	1,714,532	741,713	(855,683)
Total Revenues	<u>1,828,502</u>	<u>2,570,215</u>	<u>1,714,532</u>	<u>741,713</u>	<u>(855,683)</u>
Expenditures:					
Instruction	797,053	1,203,122	918,149	(406,069)	284,973
Support services	851,533	1,245,563	681,706	(394,030)	563,857
Noninstructional services	100,802	101,652	87,328	(850)	14,324
Total Expenditures	<u>1,749,388</u>	<u>2,550,337</u>	<u>1,687,183</u>	<u>(800,949)</u>	<u>863,154</u>
Excess (Deficiency) of Revenues over Expenditures	<u>79,114</u>	<u>19,878</u>	<u>27,349</u>	<u>(59,236)</u>	<u>7,471</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(19,878)</u>	<u>(19,878)</u>	<u>(27,343)</u>		<u>(7,465)</u>
Total Other Financing Sources (Uses)	<u>(19,878)</u>	<u>(19,878)</u>	<u>(27,343)</u>		<u>(7,465)</u>
Net Change in Fund Balances	<u>59,236</u>		<u>6</u>	<u>(59,236)</u>	<u>6</u>
Fund Balances:					
July 1, 2008, as originally reported					
Prior period adjustment			(6)		(6)
July 1, 2008, as restated			(6)		(6)
June 30, 2009	<u>\$ 59,236</u>	<u>0</u>	<u>0</u>	<u>(59,236)</u>	<u>0</u>

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

HUMPHREYS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 488,577	488,577	604,638		116,061
Total Revenues	<u>488,577</u>	<u>488,577</u>	<u>604,638</u>		<u>116,061</u>
Expenditures:					
Sixteenth section	24,300	37,300	31,723	(13,000)	5,577
Total Expenditures	<u>24,300</u>	<u>37,300</u>	<u>31,723</u>	<u>(13,000)</u>	<u>5,577</u>
Excess (Deficiency) of Revenues over Expenditures	<u>464,277</u>	<u>451,277</u>	<u>572,915</u>	<u>(13,000)</u>	<u>121,638</u>
Other Financing Sources (Uses):					
Operating transfers out	(95,177)	(95,177)			95,177
Total Other Financing Sources (Uses)	<u>(95,177)</u>	<u>(95,177)</u>			<u>95,177</u>
Net Change in Fund Balances	<u>369,100</u>	<u>356,100</u>	<u>572,915</u>	<u>(13,000)</u>	<u>216,815</u>
Fund Balances:					
July 1, 2008, as originally reported			1,504,777		1,504,777
Fund equity reclassification			335,075		335,075
July 1, 2008, as restated			<u>1,839,852</u>		<u>1,839,852</u>
June 30, 2009	\$ <u>369,100</u>	<u>356,100</u>	<u>2,412,767</u>	<u>(13,000)</u>	<u>2,056,667</u>

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

HUMRPHEYS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before 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
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 328,309
National school lunch program	10.555	771,742
Summer food service program for children	10.559	55,152
Total child nutrition cluster		<u>1,155,203</u>
Total U.S. Department of Agriculture		<u>1,155,203</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>105,096</u>
Total Federal Communications Commission		<u>105,096</u>
U.S. Department of Education		
Direct programs:		
Literacy through school libraries	84.364A	<u>110,373</u>
Total		<u>110,373</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	<u>700</u>
Total		<u>700</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,714,532
Career and technical education - basic grants to states	84.048	39,190
Safe and drug-free schools and communities- state grants	84.186	19,947
Education for homeless children and youth	84.196	35,382
Fund for the improvement of education	84.215	1,514
Twenty-first century community learning centers	84.287	161,960
State grants for innovative programs	84.298	3,653
Education technology state grants	84.318	79,533
Reading first state grants	84.357	138,891
Rural education	84.358	131,841
Improving teacher quality state grants	84.367	282,743
Total		<u>2,609,186</u>
Special education cluster:		
Special education - grants to states	84.027	460,006
Special education - preschool grants	84.173	18,177
Total special education cluster		<u>478,183</u>
Total passed-through Mississippi Department of Education		<u>3,087,369</u>
Total U.S. Department of Education		<u>3,198,442</u>

HUMPHREYS COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>	-	
Passed-through Mississippi Department of Education		
Medical assistance program	93.778	<u>21,563</u>
Total passed-through Mississippi Department of Education		<u>21,563</u>
Total U.S. Department of Health and Human Services		<u>21,563</u>
 <u>U.S. Department of Homeland Security</u>	 -	
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	<u>4,743</u>
Total passed-through Mississippi Emergency Management Agency		<u>4,743</u>
Total Department of Homeland Security		<u>4,743</u>
 <u>Corporation for National and Community Service</u>	 -	
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	<u>7,554</u>
Total passed-through Mississippi Department of Education		<u>7,554</u>
Total Corporation for National and Community Service		<u>7,554</u>
Total for All Federal Awards		\$ <u><u>4,492,601</u></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.

HUMPHREYS COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2009

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,191,925	7,648,137	634,520	568,840	1,340,428
Other	5,225,427	1,731,177	189,493	18,718	3,286,039
Total	\$ 15,417,352	9,379,314	824,013	587,558	4,626,467
Total number of students*	1,701				
Cost per student	\$ 9,064	5,514	485	345	2,720

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.

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

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"

	2009	2008*	2007*	2006*
Revenues:				
Local sources	\$ 2,239,699	2,260,801	2,155,035	2,136,613
State sources	7,891,609	7,728,378	7,446,860	7,014,538
Federal sources	127,359	642,232	252,324	136,319
Total Revenues	<u>10,258,667</u>	<u>10,631,411</u>	<u>9,854,219</u>	<u>9,287,470</u>
Expenditures:				
Instruction	4,885,349	4,930,094	4,524,331	4,534,804
Support services	3,490,183	4,202,303	3,649,666	3,803,589
Noninstructional services	496			4
Debt service:				
Principal	5,076	10,152	10,152	10,152
Total Expenditures	<u>8,381,104</u>	<u>9,142,549</u>	<u>8,184,149</u>	<u>8,348,549</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,877,563</u>	<u>1,488,862</u>	<u>1,670,070</u>	<u>938,921</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	7,376			457,731
Sale of other property				780
Operating transfers in	208,551	14,847	310,957	112,876
Operating transfers out	(932,028)	(2,295,277)	(1,492,454)	(292,219)
Other financing uses			(35,880)	(500)
Total Other Financing Sources (Uses)	<u>(716,101)</u>	<u>(2,280,430)</u>	<u>(1,217,377)</u>	<u>278,668</u>
Net Change in Fund Balances	<u>1,161,462</u>	<u>(791,568)</u>	<u>452,693</u>	<u>1,217,589</u>
Fund Balances:				
July 1, as originally reported	3,385,508	4,177,073	3,655,872	2,839,011
Prior period adjustments	(49,125)	3	68,508	(400,728)
July 1, as restated	<u>3,336,383</u>	<u>4,177,076</u>	<u>3,724,380</u>	<u>2,438,283</u>
June 30	<u>\$ 4,497,845</u>	<u>3,385,508</u>	<u>4,177,073</u>	<u>3,655,872</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"

	2009	2008*	2007*	2006*
Revenues:				
Local sources	\$ 2,384,133	2,382,036	2,288,693	2,227,637
State sources	9,106,990	8,815,716	8,513,847	8,028,295
Federal sources	4,498,557	4,977,395	4,788,124	4,868,802
Sixteenth section sources	622,044	546,021	460,752	426,035
Total Revenues	16,611,724	16,721,168	16,051,416	15,550,769
Expenditures:				
Instruction	7,203,075	7,024,357	6,599,706	6,928,068
Support services	5,595,463	6,465,216	7,482,849	6,821,386
Noninstructional services	1,260,714	1,247,981	1,201,186	1,120,024
Sixteenth section	31,723	16,991	14,477	3,201
Facilities acquisition and construction	1,008,307	113,657	647,000	334,375
Debt service:				
Principal	225,076	215,152	210,152	200,152
Interest	55,626	146,328	157,281	168,396
Other	37,368	676	695	730
Total Expenditures	15,417,352	15,230,358	16,313,346	15,576,332
Excess (Deficiency) of Revenues over Expenditures	1,194,372	1,490,810	(261,930)	(25,563)
Other Financing Sources (Uses):				
Proceeds of refunding bonds	2,952,000			
Insurance loss recoveries	7,376	1,854		515,156
Sale of other property				780
Payment to refunded bond escrow	(2,915,182)			
Operating transfers in	1,143,819	2,310,124	1,739,711	398,818
Operating transfers out	(1,143,819)	(2,310,124)	(1,739,711)	(398,818)
Other financing uses			(52,547)	(199,327)
Total Other Financing Sources (Uses)	44,194	1,854	(52,547)	316,609
Net Change in Fund Balances	1,238,566	1,492,664	(314,477)	291,046
Fund Balances:				
July 1, as originally reported	8,364,825	6,903,226	7,141,294	7,252,179
Prior period adjustments	(20,917)	(29,163)	69,473	(400,093)
July 1, as reststed	8,343,908	6,874,063	7,210,767	6,852,086
Increase (Decrease) in reserve for inventory	(4,193)	(1,902)	6,936	(1,838)
June 30	\$ 9,578,281	8,364,825	6,903,226	7,141,294

*SOURCE - PRIOR YEAR AUDIT REPORTS

HUMPHREYS COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

HUMPHREYS COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Humphreys County School District as of and for the year ended June 30, 2009, which collectively comprise Humphreys County School District's basic financial statements and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our 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, we identified certain deficiencies in the internal control over financial reporting that we 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-1, 09-2 and 09-3 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.

Our 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, we consider the significant deficiency described above in Finding 09-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated January 28, 2011, which is included in this report.

Humphreys County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Humphreys County School District's responses and, accordingly, we 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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 28, 2011



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

We 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, 2009. The Humphreys County 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. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

As described in Finding 09-4 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. Compliance with such requirements is necessary, in our opinion, for the school district to comply with the requirements applicable to that program.

In our 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, 2009.

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 our audit, we considered Humphreys County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our 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, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency and others that we 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. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-4, 09-5 and 09-6 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, we consider Findings 09-4 and 09-5 to be material weaknesses.

Humphreys County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Humphreys County School District's responses and, accordingly, we 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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 28, 2011

HUMPHREYS COUNTY SCHOOL DISTRICT

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

HUMPRHEYS COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Humphreys County School District

We 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, 2009, which collectively comprise Humphreys County School District's basic financial statements and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$16,939 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

1. Finding

Section 37-57-105, Miss Code Ann. (1972), allows a 4 % increase in ad valorem collections if the proper “Notice of Tax Increase” advertisement is published as stated in Section 27-39-207, Miss. Code Ann. (1972).

During our test of limitations of ad valorem taxes, we noted the district collected more than the amount allowable under Section 37-57-107, Miss. Code Ann. (1972). Additionally, we noted the district did not publish the “Notice of Tax Increase” as required, thus, was not allowed, under Sections 37-57-105, Miss. Code Ann. (1972), the 4% increase. The district has recorded an escrow on the financial statements.

Improper advertisement of the “Notice of Tax Increase” by the district resulted in an escrow, therefore reducing the following year’s request by the amount of the funds held in escrow.

Recommendation

We recommend that the district comply with Sections 27-39-207 and 37-57-105, Miss. Code Ann. (1972), when preparing and publishing the “Notice of Tax Increase”.

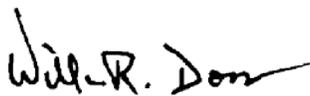
School District’s Response

The district will ensure that we comply with Sections 27-29-207 and 37-57-105, Miss. Code Ann. (1972) in preparing and publishing the Notice of Tax Increase.

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

The Humphreys County School District’s response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 28, 2011

HUMPRHEYS 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, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | |
| | Child Nutrition Cluster | Unqualified |
| | The Schools and Libraries Program of the Universal Service Fund | Unqualified |
| | Title I – Grants to Local Educational Agencies | Qualified |
| | Special Education Cluster | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Child Nutrition Cluster | |
| | CFDA #10.553 School Breakfast Program | |
| | CFDA #10.555 National School Lunch Program | |
| | CFDA #10.559 Summer Food Service Program for Children | |
| b. | The Schools and Libraries Program of the Universal Service Fund | |
| | CFDA # 32.XXX | |
| c. | Title I – Grants to Local Educational Agencies | |
| | CFDA # 84.010 | |
| d. | Special Education Cluster | |
| | CFDA # 84.027 Special Education – Grants to States | |
| | CFDA # 84.173 Special Education – Preschool Grants | |

HUMPHREYS COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Federal Awards:

- | | | |
|-----|---|-----------|
| 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, 2009

Section 2: Financial Statement Findings

Significant Deficiency Considered to Be a Material Weakness

09-1. Controls over Payroll Transactions Should Be Strengthened

Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented and pay is processed according to actual time worked.

During our tests of payroll expenditures, we noted that the supporting documentation for nonexempt employees was not used to calculate the amount of salary an employee had earned. We also noted instances in which time sheets were not prepared.

Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

The district should pay its nonexempt employees based on actual time worked, as documented with time sheets.

Significant Deficiencies Not Considered to Be Material Weaknesses

09-2. Controls over Payroll Transactions Should Be Strengthened

Finding

Management is responsible for ensuring that all payroll related expenditures made by the district are adequately documented.

During our tests of payroll related expenditures, we noted one retired employee was not removed from the insurance billing in a timely fashion. Lack of adequate controls over the verification of the insurance billing resulted in an overpayment of \$361 in insurance benefits.

Recommendation

We recommend the district implement policies and procedures to ensure that individuals who are no longer employed by the school district are not included on the insurance billing.

09-3. Controls Surrounding Allowable Expenditures with Public Funds Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure financial accountability and accurate reporting of expenditures.

During our expenditure testing, we noted unallowable expenditures for a retirement party, snacks and gifts, totaling \$840, paid from public funds.

Lack of adequate internal controls surrounding the expenditures and disbursement cycle resulted in unallowable expenditures.

HUMPHREYS COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Recommendation

We recommend the district strengthen controls to ensure expenditures are allowable. Reimbursement totaling \$840 should be remitted to the applicable fund of the school district.

Auditor's Note

The unallowable amount of \$840 was repaid to the proper account of Humphreys County School District with a check from the Humphreys County School District Club Account, which was deposited on February 2, 2011.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Considered to Be Material Weaknesses

Material Noncompliance

09-4. Controls Should Be Strengthened for Cash Management

Finding

Program: Title 1 – Grants to local educational agencies; CFDA #84.010

Compliance Requirement: Cash Management

Management is responsible for ensuring that draw downs of federal funds are only for immediate needs of the district.

The district's records indicate excess fund balances in the Title I Fund (Fund 2211) for eleven months out of the year due to the district requesting funds in excess of its immediate needs from the Mississippi Department of Education.

Requesting funds in excess of the district's immediate needs could jeopardize future funding for this program.

Recommendation

We recommend the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires the district to request funds in a manner that will minimize the amount of time the federal funds will be held by the district prior to disbursement.

HUMPHREYS COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

09-5. Federal Payroll Expenditures Should Be Supported By Adequate Documentation

Finding

Programs: Child Nutrition Cluster
School breakfast program; CFDA #10.553
National school lunch program; CFDA #10.555
Summer food service program for children; CFDA #10.559
Title 1 – Grants to local educational agencies; CFDA #84.010
Special Education Cluster –
Special education – grants to states; CFDA #84.027
Special education – preschool grants; CFDA #84.173

Compliance Requirement: Allowable Costs/Cost Principles

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

During our tests of payroll expenditures, we noted the following:

- Child Nutrition Cluster
 - Supporting documentation for nonexempt employees was not used to calculate the amount of pay earned by the employee.
 - Employees' pay was not allocated between funds based on their time sheets.
- Title I
 - Supporting documentation for nonexempt employees was not used to calculate the amount of pay earned by the employee.
 - Employees' pay was not allocated between funds based on their time sheets.
 - Contract employee's payroll allocation between funds was not properly supported with time sheets.
- Special Education Cluster
 - Time sheets were not maintained.
 - Payroll allocation between funds was not properly supported with time sheets.

Payment of wages without adequate records could result in employees being improperly compensated and could result in payment of unauthorized amounts from federal programs.

Recommendation

We recommend the district maintain adequate records for all employees to support federal program expenditures.

HUMPHREYS COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Significant Deficiency Not Considered to Be a Material Weakness

09-6. Controls Surrounding Indirect Costs Should Be Strengthened

Finding

Program: Title 1 – Grants to local educational agencies; CFDA # 84.010

Compliance Requirement: Allowable Costs/Cost Principles

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

The district transferred \$6,025 more in indirect costs from the Title I fund to the General Fund than was approved in the budget.

Lack of adequate controls surrounding indirect costs resulted in unapproved funds being transferred from Title I to the General Fund of the district.

Recommendation

We recommend the district implement controls and procedures to ensure indirect costs transferred to the district do not exceed the amount approved in the budget. The General Fund of the district should reimburse the Title I fund \$6,025.

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

January 28, 2011

Financial & Compliance Audit Division

As required by Section ____, 315(b) of OMB Circular A-133, Humphreys County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2009.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
09-1	<p>a. Barbara Howard Interim Business Manager 662-247-6000</p> <p>b. The district is implementing controls and procedures and revising the payroll operation to ensure that all payroll expenditures are adequately documented and pay is processed according to actual time worked. Time sheets will be utilized and hours reported will be verified and used to calculate salary earned and allocated to the correct fund. On-going reviews and training are being implemented.</p> <p>c. January 28, 2011</p>
09-2	<p>a. Barbara Howard Interim Business Manager 662-247-6000</p> <p>b. The district has implemented procedures to ensure that individuals no longer employed by the district are not included on insurance billings. The Superintendent notifies payroll when any individual is leaving the district. Insurance billings are verified for accuracy. The district is reviewing its policies to address this item.</p> <p>c. January 2010, 2011 (policy)</p>

09-3 a. Barbara Howard
 Interim Business Manager
 662-247-6000

b. The district has reviewed its internal controls and implemented steps to strengthen controls to ensure expenditures are allowable. The reimbursement of \$840 will be remitted.

c. February 1, 2011

09-4 a. Barbara Howard
 Interim Business Manager
 662-247-6000

b. The district has implemented procedures to prevent excessive cash draws. A request for cash form is being utilized and reviewed by the Business Manager to ensure the district is not requesting excessive cash draws. Additionally training is on-going to ensure business office personnel understand and utilize proper requesting procedures.

c. October 2009

09-5 See response 09-1

09-6 a. Barbara Howard
 Interim Business Manager
 662-247-6000

b. The district has implemented procedures to ensure indirect cost does not exceed the amount approved in the budget. Budget reviews are being conducted on a regular basis. If the district determines that the indirect cost budget amount is wrong we will request an amendment to change the amount to ensure the correct amount is transferred. The General Fund will reimburse the Title I fund \$6,025.

c. February 1, 2011

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 30, 2009

As required by Section _____, 315(b) of OMB Circular A-133, Humphreys County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2009:

Fiscal Year Ended June 30, 2008
Audit Report

<u>Finding</u>	<u>Status</u>
2008-9.	The district has implemented procedures to include a new Request for Cash form, reconciliation and review/approval procedures to prevent and/or detect excessive cash draws.
2008-10.	See status noted at 2008-9 above.
2008-11.	Corrective action was taken by requiring a pro-rated timesheet for the Special Education Director.
2008-12.	Corrective action was taken.
2008-13.	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, training has been provided and continues for business office personnel to ensure all transactions are properly authorized, coded, include proper supporting documentation and comply with state purchasing laws. The district has converted its accounting software and is reviewing computerized time and attendance programs for implementation in the near future.
2008-14.	See status noted at 2008-13 above.

Sincerely,

Bonnie Horton
Superintendent