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Benoit School District
Audited Financial Statements
June 30, 2006

J E Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Benoit County School District
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTAL INFORMATION

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND SUPPLEMENTARY INFORMATION**

Superintendent and School Board
Benoit School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2006, which collectively comprise the Benoit School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Benoit School District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements, referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Benoit School District at June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 26, 2006 on my consideration of the Benoit School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages (8) through (16) and the Budgetary Comparison Schedule and corresponding notes on pages (45) through (51) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



J.E. Fortenberry, III, PC
September 26, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BENOIT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The discussion and analysis of Benoit School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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 decreased \$105,292, which represents 11% from fiscal year 2005.
- General revenues account for \$2,167,598 in revenue, or 60% of all revenues. This amount was less amount-wise but remained the same percentage-wise when compared to the general revenues reported for the year 2005, which consisted of \$2,270,194 in revenue, or 60% of all revenues. Program specific revenues in the form of charges for services and grants and contributions for this year accounted for \$1,452,786 or 40% of total revenues compared with \$1,489,743 in 2005.
- The District had \$3,725,676 in expenses, an amount that increased when compared with the \$3,669,363 in expenses for the prior year; only \$1,452,786 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$2,167,598 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$1,978,297 in revenues and \$2,373,406 in expenditures. In 2005 the General Fund had \$2,091,639 in revenues and \$2,227,768 in expenditures. The General Fund's fund balance decreased \$116,213 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$74,059.
- Long-term debt increased by \$149,157.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial

statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

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

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

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

fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 26, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 20 and 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 27.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-42 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 45-51 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 53 and 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$854,578 as of June 30, 2006.

The District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students;

consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 and 2005.

	2006	2005	Percentage Change
Assets			
Current assets	\$ 1,040,660	978,087	6%
Capital assets, net	512,714	438,655	17%
Total assets	1,553,374	1,416,742	10%
Liabilities			
Current liabilities	97,701	4,934	1880%
Long-term liabilities	601,095	451,938	33%
Total liabilities	698,796	456,872	53%
Net Assets:			
Invested in capital assets, net of related debt	(78,341)	(3,245)	2314%
Restricted	301,035	218,498	38%
Unrestricted	631,884	744,617	-15%
Total Net Assets	\$ 854,578	959,870	-11%

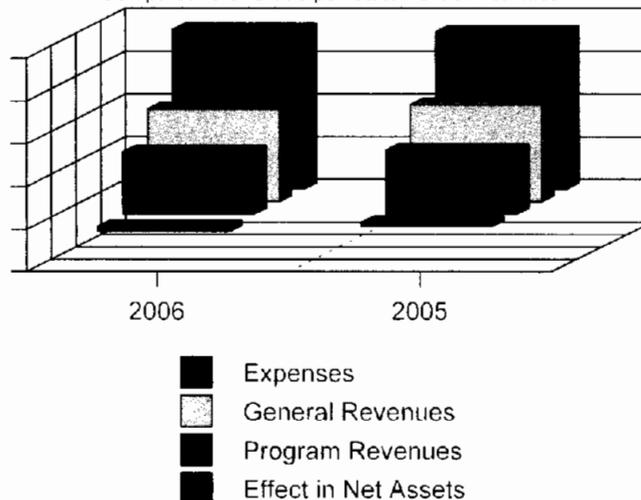
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The recording of \$92,639 deferred revenue on some of the governmental funds.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$3,620,384. The total cost of all programs and services was \$3,725,676. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

	2006	2005	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 109,469	204,609	-46%
Operating Grants and Contributions	1,343,317	1,240,906	8%
Capital Grants and Contributions	-	44,228	-100%
Total Program Revenues	1,452,786	1,489,743	-2%
General Revenues			
Property Taxes	653,951	673,705	-3%
Unrestricted Grants and Contributions	1,247,879	1,359,372	-8%
Unrestricted Investment Earnings	3,715	3,612	3%
Sixteenth Section Sources	228,970	223,637	2%
Other	33,083	9,868	235%
Total General Revenues	2,167,598	2,270,194	-5%
Total revenues	3,620,384	3,759,937	-4%
Expenses			
Instruction	1,608,748	1,758,465	-9%
Support services	1,777,990	1,592,873	12%
Non-instructional	273,683	265,670	3%
Interest on long-term liabilities	18,188	11,000	65%
Sixteenth section	47,067	41,355	14%
Total expenses	3,725,676	3,669,363	2%
Increase (Decrease) in net assets	(105,292)	90,574	-216%
Net Assets, July 1	959,870	869,295	10%
Prior Period Adjustment	-	-	
Net Assets, June 30	\$ 854,578	959,870	-11%

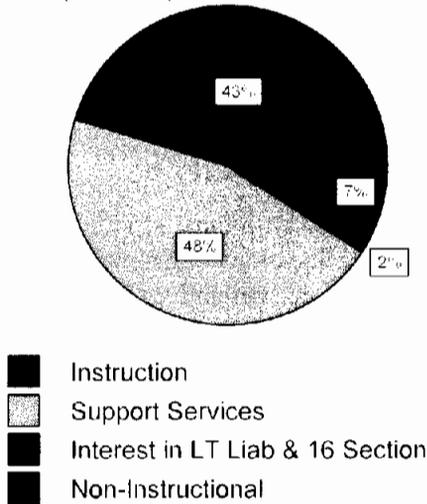
Comparative Chart as per Statement of Activities



Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2006	2005	2006	2005
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 1,608,748	1,758,465	(1,209,135)	(1,331,312)
Support Services	1,777,990	1,592,873	(1,050,618)	(921,920)
Non-Instructional	273,683	265,670	52,118	125,967
Sixteenth Section	47,067	41,355	(47,067)	(41,355)
Interest on Long-Term Liabilities	18,188	11,000	(18,188)	(11,000)
	\$ 3,725,676	3,669,363	(2,272,890)	(2,179,620)

Expenses as per Statement of Activities



- Net cost of governmental activities (\$2,272,890), was financed by general revenue, which is made up of primarily property taxes (\$653,951), state revenue (\$1,231,201), federal revenue (\$16,678) and sixteenth section sources (\$228,970).
- Investment earnings accounted for \$3,715 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$947,407, a decrease of \$31,484. \$895,568 or 95% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$51,839 or 5% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$116,213. The fund balance of Other Governmental Funds showed an increase of \$90,127. The Sixteenth Section Interest Fund showed an increase in Fund Balance of \$6,149. The other major funds showed a decrease in Fund Balance, except for the School Food Service Fund that increased \$7,438 and the Reading Sufficiency Fund that remained the same.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

Budget amounts for revenue from local, state and federal sources in the General Fund were increased primarily due to the final Adequate Education allocation, which was budgeted originally at an amount less than the tentative allocation as recommended by the Mississippi Department of Education as a safeguard for possible state funding cuts mid-year.

Budget amounts for expenditures were amended as funding sources/amounts changed. In FY 06 increases were made for the change in teacher raises and health insurance costs.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, the School Food Service Fund, the Title I - A Basic FYE

2003 Fund, the Title II - A Improving Teacher Quality Fund, and Sixteenth Section Interest Fund, and the Reading Sufficiency Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$1,413,276, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$9,504 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$900,562 and total depreciation expense for the year was \$8,188, resulting in total net capital assets of \$512,714.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 1,000	1,000	0%
Buildings	323,395	288,585	12%
Improvements other than buildings	49,658	52,346	-5%
Mobile equipment	129,953	92,020	41%
Furniture and equipment	8,708	4,704	85%
	\$ 512,714	438,655	17%

Additional information of the District's capital assets can be found in Note 4 on page 37 of this report.

Debt Administration. At June 30, 2006, the District had \$200,000 in Qualified Zone Academy Bonds and \$401,095 in other long-term debt outstanding, of which \$72,524 is due within one year. The District maintains an AA bond rating.

			Percentage
	2006	2005	Change
QZAB payable	\$ 200,000	-	100%
Obligations under capital leases	154,853	173,601	-11%
Other loans payable	236,202	268,299	-12%
Compensated absences	10,040	10,038	0%
	\$ 601,095	451,938	33%

Additional information of the District's long-term debt can be found in Note 5 on page 38 of this report.

CURRENT ISSUES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Benoit School District, P. O. Box 189, Benoit, MS 38725.

FINANCIAL STATEMENTS

BENOIT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets	
<i>Cash and cash equivalents</i>	\$ 955,122
<i>Due from other governments</i>	50,085
<i>Inventories and prepaid items</i>	2,936
<i>Restricted assets</i>	32,517
<i>Capital assets, not being depreciated</i>	
<i>Land</i>	1,000
<i>Capital assets, net of accumulated depreciation</i>	
<i>Buildings</i>	323,395
<i>Improvements other than buildings</i>	49,658
<i>Mobile equipment</i>	129,953
<i>Furniture and equipment</i>	8,708
Total Assets	<u>1,553,374</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	614
<i>Deferred revenue</i>	92,639
<i>Interest payable on long-term liabilities</i>	4,448
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	72,022
<i>Non-capital related liabilities</i>	502
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	519,033
<i>Non-capital related liabilities</i>	9,538
Total Liabilities	<u>698,796</u>
NET ASSETS	
<i>Invested in Capital Assets, Net of Related Debt</i>	(78,341)
Restricted For:	
Expendable	
<i>School-based activities</i>	147,438
<i>Capital Improvement</i>	104,694
<i>Unemployment benefits</i>	11,760
<i>Forestry improvements</i>	4,626
Nonexpendable	
<i>Sixteenth section</i>	32,517
Unrestricted	631,884
Total Net Assets	<u>\$ 854,578</u>

The accompanying notes are an integral part of this statement.

BENOIT SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental Activities:				
<i>Instruction</i>	1,608,748	49,744	349,869	(1,209,135)
<i>Support services</i>	1,777,990	--	727,372	(1,050,618)
<i>Noninstructional services</i>	273,683	59,725	266,076	52,118
<i>Sixteenth section</i>	47,067	--	--	(47,067)
<i>Interest on long-term liabilities</i>	18,188	--	--	(18,188)
Total Primary Government	<u>\$ 3,725,676</u>	<u>\$ 109,469</u>	<u>\$ 1,343,317</u>	<u>(2,272,890)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				653,951
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				1,231,201
<i>Federal</i>				16,678
<i>Unrestricted investment earnings</i>				3,715
<i>Sixteenth section sources</i>				228,970
<i>Other</i>				33,083
Total general revenues				<u>2,167,598</u>
Change in Net Assets				<u>(105,292)</u>
Net Assets - Beginning				959,870
Net Assets - Ending				<u>\$ 854,578</u>

The accompanying notes are an integral part of this statement.

BENOIT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	School Food Service Fund	Title I - A Basic FYE 2003
ASSETS			
<i>Cash and cash equivalents</i>	\$ 78,388	\$ 104,168	\$ 17,731
<i>Due from other governments</i>	36,807	-	-
<i>Due from other funds</i>	10,975	-	-
<i>Inventories and prepaid items</i>	-	2,936	-
Total Assets	\$ 126,170	\$ 107,104	\$ 17,731
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 614	\$ -	\$ -
<i>Due to other funds</i>	-	-	-
<i>Deferred revenue</i>	-	-	17,731
Total Liabilities	614	-	17,731
Fund balances:			
Reserved for:			
<i>Unemployment</i>	-	-	-
<i>Forestry</i>	-	-	-
<i>Permanent funds</i>	-	-	-
<i>Inventory</i>	-	2,936	-
Unreserved, undesignated, reported in:			
<i>General fund</i>	125,556	-	-
<i>Special Revenue funds</i>	-	104,168	-
<i>Capital projects funds</i>	-	-	-
Total Fund Balances	125,556	107,104	-
Total Liabilities and Fund Balances	\$ 126,170	\$ 107,104	\$ 17,731

Title II - A Improving Teacher Quality	Sixteenth Section Interest Fund	Reading Sufficiency	Other Governmental Funds	Total Governmental Funds
\$ 21,987	\$ 517,880	\$ 33,409	\$ 214,076	\$ 987,639
-	-	-	13,278	50,085
-	-	-	--	10,975
-	-	-	--	2,936
<u>\$ 21,987</u>	<u>\$ 517,880</u>	<u>\$ 33,409</u>	<u>\$ 227,354</u>	<u>\$ 1,051,635</u>
\$ -	\$ -	\$ -	\$ -	\$ 614
-	-	-	10,975	10,975
21,987	-	33,409	19,512	92,639
<u>21,987</u>	<u>-</u>	<u>33,409</u>	<u>30,487</u>	<u>104,228</u>
-	-	-	11,760	11,760
-	-	-	4,626	4,626
-	-	-	32,517	32,517
-	-	-	--	2,936
-	-	-	--	125,556
-	517,880	-	43,270	665,318
-	-	-	104,694	104,694
-	517,880	-	196,867	947,407
<u>\$ 21,987</u>	<u>\$ 517,880</u>	<u>\$ 33,409</u>	<u>\$ 227,354</u>	<u>\$ 1,051,635</u>

BENOIT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006*

Total fund balances - governmental funds balance sheet	\$ 947,407
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	512,714
Liabilities due in one year	(72,524)
Payables for bond principal which are not due in the current period are not reported in the funds.	(180,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(135,329)
Payables for bond interest which are not due in the current period are not reported in the funds.	(4,448)
Payables for compensated absences not due in the current period are not reported in the funds.	(9,538)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	<u>(203,704)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 854,578</u>

The accompanying notes are an integral part of this statement.

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BENOIT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	School Food Service Fund	Title I - A Basic FYE 2003
Revenue:			
<i>Local sources</i>	\$ 721,092	\$ 18,452	\$ 309
<i>State sources</i>	1,240,527	1,022	--
<i>Federal sources</i>	16,678	193,455	290,988
<i>Sixteenth section sources</i>	--	--	--
Total revenues	<u>1,978,297</u>	<u>212,929</u>	<u>291,297</u>
Expenditures:			
Instruction	1,152,026	--	153,444
Support services	1,160,261	--	128,296
Noninstructional services	--	205,491	3,471
Sixteenth section	--	--	--
Debt service:			
<i>Principal</i>	50,845	--	--
<i>Interest</i>	10,274	--	--
Total expenditures	<u>2,373,406</u>	<u>205,491</u>	<u>285,211</u>
Excess (deficiency) of revenues (over) expenditures	(395,109)	7,438	6,086
Other financing sources (uses):			
Proceeds of general obligation bonds	--	--	--
Insurance loss recoveries	22,017	--	--
Sale of other property	440	--	--
Operating transfers in	295,679	--	--
Operating transfers out	(1,599)	--	(15,553)
Other financing uses	(37,641)	--	--
Total other financing sources (uses)	<u>278,896</u>	<u>--</u>	<u>(15,553)</u>
Net change in fund balance	(116,213)	7,438	(9,467)
Fund Balances:			
July 1, 2005	241,769	98,862	9,467
Increase (decrease) in reserve for inventory	--	804	--
June 30, 2006	<u>\$ 125,556</u>	<u>\$ 107,104</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Title II - A Improving Teacher Quality	Sixteenth Section Interest Fund	Reading Sufficiency	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 37,908	\$ 777,761
--	--	51,591	25,817	1,318,957
33,697	--	--	737,421	1,272,239
--	228,970	--	--	228,970
<u>33,697</u>	<u>228,970</u>	<u>51,591</u>	<u>801,146</u>	<u>3,597,927</u>
--	--	46,929	257,290	1,609,689
43,215	--	--	481,695	1,813,467
--	--	202	65,321	274,485
--	45,821	--	1,246	47,067
--	--	--	--	50,845
--	--	--	--	10,274
<u>43,215</u>	<u>45,821</u>	<u>47,131</u>	<u>805,552</u>	<u>3,805,827</u>
(9,518)	183,149	4,460	(4,406)	(207,900)
--	--	--	191,600	191,600
--	--	--	--	22,017
--	--	--	--	440
--	--	--	1,599	297,278
--	(177,000)	(4,460)	(98,666)	(297,278)
--	--	--	--	(37,641)
<u>--</u>	<u>(177,000)</u>	<u>(4,460)</u>	<u>94,533</u>	<u>176,416</u>
(9,518)	6,149	--	90,127	(31,484)
9,518	511,731	--	106,740	978,087
--	--	--	--	804
<u>\$ --</u>	<u>\$ 517,880</u>	<u>\$ --</u>	<u>\$ 196,867</u>	<u>\$ 947,407</u>

BENOIT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ (31,484)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	9,504
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,188)
Depreciation adjustment to remove accumulated depreciation of assets disposed of in prior yrs.	72,743
Bond Issue Costs	(8,400)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	18,748
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	32,097
(Increase) decrease in accrued interest from beginning of period to end of period	486
Long term debt proceeds	(191,600)
Change in inventory is adjustment to Fund Balance in funds but affects non instructional expense in the SOA	804
Rounding difference	(2)
Change in net assets of governmental activities - statement of activities	<u>\$ (105,292)</u>

The accompanying notes are an integral part of this statement.

BENOIT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 86,746
Total Assets	\$ 86,746
LIABILITIES	
Liabilities:	
<i>Accounts payable & accrued liabilities</i>	\$ 85,534
<i>Due to student clubs</i>	1,212
Total Liabilities	\$ 86,746

The accompanying notes are an integral part of this statement.

Benoit School District
Notes to the Financial Statements
June 30, 2006

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This fund accounts for food distribution, the school breakfast program, and the national school lunch program.

Title I - A Basic FYE 2003 - This is the school district's federally funded program offering reading instruction to eligible students under a school-wide structured project.

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Title II - A Improving Teacher Quality - This fund is used to account for revenue received under a federal grant agreement pursuant to Title II Improving Teacher Quality requirements.

Sixteenth Section Interest Fund - The Sixteenth Section Interest Funds are funds used to account for maintaining and improving sixteenth section lands. Only the earnings, and not the principal, may be used.

Reading Sufficiency Fund - This is the school district's program used to account for revenue received under a federal grant agreement pursuant to Reading Sufficiency requirements.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in the *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of

Benoit School District

Notes to Financial Statements For the Year Ended June 30, 2006

Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in the

Benoit School District

Notes to Financial Statements For the Year Ended June 30, 2006

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

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

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

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

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

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in governmental column. See Note 6 for details.

K. Interfund Transactions and Balances.

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

Benoit School District

Notes to Financial Statements For the Year Ended June 30, 2006

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even

Benoit School District

Notes to Financial Statements For the Year Ended June 30, 2006

though they are a component of net current assets.

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

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

Reserve for permanent funds - 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 - represents portions of fund equity that are not legally segregated for a specific future use or are available for current operations.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

(2) Changes in Accounting Standards.

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

(3) Cash and Cash Equivalents.

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$987,639 and \$86,746 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$955,122, and Restricted Assets \$32,517. The restricted assets represent the investment and cash balance of the sixteenth section principal funds (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs. The bank balance was \$1,312,850.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover deposits or collateral securities tat are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the

Benoit School District

Notes to Financial Statements For the Year Ended June 30, 2006

Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$1,312,850 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 10,975	0
Other governmental funds		<u>10,975</u>
Total Funds	<u>\$ 10,975</u>	<u>\$ 10,975</u>

The purpose of the Due From/To other funds balances was to eliminate cash balance. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 295,679	1,599
Title I Reading First	0	15,553
Sixteenth Section Interest Fund	0	177,000
Reading Sufficiency	0	4,460
Capital Improvements Fund		87,016
Other governmental funds	<u>1,599</u>	<u>11,650</u>
Total Funds	<u>\$ 297,278</u>	<u>\$ 297,278</u>

The purpose of the transfers was to transfer indirect costs, to fund employment escrow and to fund capital related expenditures. All transfers were routine and consistent with the fund making the transfer.

(5) Capital Assets.

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

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,000					1,000
Total non-depreciable capital assets	1,000	0	0	0	0	1,000
<u>Depreciable capital assets:</u>						
Buildings	861,578					861,578
Improvements other than buildings	67,180					67,180
Mobile equipment	325,434					325,434
Furniture and equipment	148,580	9,504				158,084
Total depreciable capital assets	1,402,772	9,504	0	0	0	1,412,276
<u>Less accumulated depreciation for:</u>						
Buildings	572,993				(34,810)	538,183
Improvements other than buildings	14,834	2,688				17,522
Mobile equipment	233,414				(37,933)	195,481
Furniture and equipment	143,876	5,500				149,376
Total accumulated depreciation	965,117	8,188	0	0	(72,743)	900,562
Total depreciable capital assets, net	437,655	1,316	0	0	72,743	511,714
Governmental activities capital assets, net	\$ 438,655	1,316	0	0	72,743	512,714

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 5,732
Support services	2,456
Total depreciation expense	\$ 8,188

The adjustment made to depreciation (\$72,743) represent correction made to remove accumulated depreciation of assets disposed in prior years.

(6) Long-term liabilities.

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

	Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. QZAB payable	\$ 0	200,000		0	200,000	20,000
B. Obligations under capital leases	173,601	0	18,748	0	154,853	19,524

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

	Balance				Balance	Amounts due within one year
	7-1-2005	Additions	Reductions	Adjustments		
C. Other loans payable	268,299	0	32,097	0	236,202	32,498
D. Compensated absences payable	10,038	2		0	10,040	502
Total	\$ 451,938	200,002	50,845	0	601,095	72,524

A. Qualified Zone Academy bonds payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2006	1%	06-14-06	06-14-	\$ 200,000	200,000
Total				\$ 200,000	200,000

This debt will be retired from the District Maintenance Fund.

B. Obligations under capital leases

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of school buses and energy renovations.

The various options available to the lessee for this lease are as follows:

1. Title passes to the lessee at the end of the period after the lease obligation has been fulfilled.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2007	\$ 19,524	6,145	25,669
2008	20,332	5,337	25,669
2009	21,173	4,496	25,669
2010	22,049	3,620	25,669
2011	22,962	2,707	25,669
2012 - 2013	48,813	2,525	51,338
Total	\$ 154,853	24,830	179,683

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material. This debt will be retired from the District Maintenance fund.

C. Other loans payable.

The school districts has issued debt instruments granted under the authority of Section 57-39-205 of the Mississippi State Code.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Loan payable	1.25%	6/30/03	7/01/12	<u>\$300,000</u>	<u>\$236,202</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2007	\$ 32,498	2,953	35,451
2008	32,905	2,546	35,451
2009	33,316	2,135	35,451
2010	33,733	1,718	35,451
2011	34,154	1,297	35,451
2012 - 2013	69,596	1,308	70,904
Total	\$ <u>236,202</u>	<u>11,957</u>	<u>248,159</u>

This debt will be retired from the District Maintenance fund.

D. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

Benoit School District

Notes to Financial Statements For the Year Ended June 30, 2006

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2006 was 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$182,514, \$164,424, and \$175,417, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising 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
2007	\$ 159,838
2008	159,838
2009	69,635
2010	16,000
Total	<u>\$ 405,311</u>

(9) Risk Management

The School district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Vocation School Consortium.

The school district entered into a Vocational Educational Agreement dated July 10, 2001, creating the Interlocal Cooperation. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Benoit School District and the West Bolivar School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The West Bolivar School District has been designated as the fiscal agent for the Interlocal Cooperation, and the operations of the consortium are included in its financial statements.

(11) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with First Union National Bank, has entered into such an arrangement dated June 14, 2006.

Benoit School District

Notes to Financial Statements
For the Year Ended June 30, 2006

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 14th each year starting in 2007 and ending in 2016. The amount accumulated in the sinking fund at the end of the period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2007	\$ 20,000
2008	20,000
2009	20,000
2010	20,000
2011	20,000
2012-2016	<u>100,000</u>
Total	<u>\$ 200,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 772,309	740,092	721,092	(32,217)	(19,000)
State sources	1,288,010	1,244,527	1,240,527	(43,483)	(4,000)
Federal sources	65,126		16,678	(65,126)	16,678
Total Revenues	<u>2,125,445</u>	<u>1,984,619</u>	<u>1,978,297</u>	<u>(140,826)</u>	<u>(6,322)</u>
Expenditures:					
Instruction	1,162,375	1,221,759	1,152,026	(59,384)	69,733
Support services	1,053,164	1,121,783	1,160,261	(68,619)	(38,478)
Facilities acquisition and construction	76,000	87,016	0	(11,016)	87,016
Debt service:				0	0
Principal	55,000	61,120	50,845	(6,120)	10,275
Interest		6,000	10,274	(6,000)	(4,274)
Total Expenditures	<u>2,346,539</u>	<u>2,497,678</u>	<u>2,373,406</u>	<u>(151,139)</u>	<u>124,272</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(221,094)</u>	<u>(513,059)</u>	<u>(395,109)</u>	<u>(291,965)</u>	<u>117,950</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		22,017	22,017	22,017	0
Sale of other property		440	440	440	0
Operating transfers in	160,913	295,679	295,679	134,766	0
Operating transfers out	(4,707)		(1,599)	4,707	(1,599)
Other financing uses	(75,000)	(37,641)	(37,641)	37,359	-
Total Other Financing Sources (Uses)	<u>81,206</u>	<u>280,495</u>	<u>278,896</u>	<u>199,289</u>	<u>(1,599)</u>
Net Change in Fund Balances	<u>(139,888)</u>	<u>(232,564)</u>	<u>(116,213)</u>	<u>(92,676)</u>	<u>116,351</u>
Fund Balances:					
July 1, 2005	127,037	34,360	241,769	(92,677)	207,409
Prior period adjustments	(25,651)	(25,651)		-	25,651
July 1, 2005, as restated	<u>101,386</u>	<u>8,709</u>	<u>241,769</u>	<u>(92,677)</u>	<u>233,060</u>
June 30, 2006	<u>\$ (38,502)</u>	<u>(223,855)</u>	<u>125,556</u>	<u>(185,353)</u>	<u>349,411</u>

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

BENOIT SCHOOL DISTRICT
 Budgetary Comparison Schedule
 School Food Service Fund
 For the Year Ended June 30, 2006

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ 13,489	18,453	18,452	4,964	(1)
State Sources	1,000	1,022	1,022	22	-
Federal Sources	228,263	193,455	193,455	(34,808)	-
Total Revenues	<u>242,752</u>	<u>212,930</u>	<u>212,929</u>	<u>(29,822)</u>	<u>(1)</u>
Expenditures:					
Non instructional services	<u>187,891</u>	<u>205,220</u>	<u>205,491</u>	<u>(17,329)</u>	<u>(271)</u>
Total Expenditures	<u>187,891</u>	<u>205,220</u>	<u>205,491</u>	<u>(17,329)</u>	<u>(271)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>54,861</u>	<u>7,710</u>	<u>7,438</u>	<u>(47,151)</u>	<u>(272)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>0</u>	<u>(271)</u>	<u>0</u>	<u>(271)</u>	<u>271</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(271)</u>	<u>0</u>	<u>(271)</u>	<u>271</u>
Net Change in Fund Balances	<u>54,861</u>	<u>7,439</u>	<u>7,438</u>	<u>(47,422)</u>	<u>1</u>
Fund Balances:					
July 1, 2005			98,862	0	98,862
Increase (decrease) in reserve for inventory	<u>804</u>	<u>804</u>	<u>804</u>		
July 1, 2005, as restated	<u>804</u>	<u>804</u>	<u>99,666</u>	<u>0</u>	<u>98,862</u>
June 30, 2006	<u>\$ 55,665</u>	<u>8,243</u>	<u>107,104</u>	<u>(47,422)</u>	<u>98,863</u>

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

BENOTT SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I - A Basic FYE - 2003
 For the Year Ended June 30, 2006

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 120	309	309	189	-
Federal sources	264,803	307,988	290,988	43,185	(17,000)
Total Revenues	<u>264,923</u>	<u>308,297</u>	<u>291,297</u>	<u>43,374</u>	<u>(17,000)</u>
Expenditures:					
Instruction	136,500	161,868	153,444	(25,368)	8,424
Support services	130,246	133,114	128,296	(2,868)	4,818
Noninstructional services	6,000	6,141	3,471	(141)	2,670
Total Expenditures	<u>272,746</u>	<u>301,123</u>	<u>285,211</u>	<u>(28,377)</u>	<u>15,912</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,823)</u>	<u>7,174</u>	<u>6,086</u>	<u>14,997</u>	<u>(1,088)</u>
Other Financing Sources (Uses):					
Operating transfers out		(15,553)	(15,553)	(15,553)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(15,553)</u>	<u>(15,553)</u>	<u>(15,553)</u>	<u>-</u>
Net Change in Fund Balances	<u>(7,823)</u>	<u>(8,379)</u>	<u>(9,467)</u>	<u>(556)</u>	<u>(1,088)</u>
Fund Balances:					
July 1, 2005			9,467	-	9,467
June 30, 2006	<u>\$ (7,823)</u>	<u>(8,379)</u>	<u>-</u>	<u>(556)</u>	<u>8,379</u>

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

BENOIT SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title II - A Improving Teacher Quality
 For the Year Ended June 30, 2006

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 51,042	70,804	33,697	19,762	(37,107)
Total Revenues	51,042	70,804	33,697	19,762	(37,107)
Expenditures:					
Support services	52,132	70,804	43,215	(18,672)	27,589
Total Expenditures	52,132	70,804	43,215	(18,672)	27,589
Excess (Deficiency) of Revenues Over Expenditures	(1,090)	-	(9,518)	1,090	(9,518)
Other Financing Sources (Uses):					
Operating Transfers out				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(1,090)	-	(9,518)	1,090	(9,518)
Fund Balances:					
July 1, 2005			9,518	-	9,518
June 30, 2006	\$ (1,090)	-	-	1,090	-

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

BENOIT SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2006

Exhibit 5

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 187,000	228,969	228,970	41,969	1
Total Revenues	187,000	228,969	228,970	41,969	1
Expenditures:					
Sixteenth section	42,620	46,321	45,821	(3,701)	500
Total Expenditures	42,620	46,321	45,821	(3,701)	500
Excess (Deficiency) of Revenues Over Expenditures	144,380	182,648	183,149	38,268	501
Other Financing Sources (Uses):					
Operating transfers out	-	(177,000)	(177,000)	(177,000)	-
Total Other Financing Sources (Uses)	-	(177,000)	(177,000)	(177,000)	-
Net Change in Fund Balances	144,380	5,648	6,149	(138,732)	501
Fund Balances:					
July 1, 2005			511,731	-	511,731
June 30, 2006	\$ 144,380	5,648	517,880	(138,732)	512,232

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

BENOIT SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Reading Sufficiency
 For the Year Ended June 30, 2006

Exhibit 6

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ -	85,000	51,591	85,000	(33,409)
Total Revenues	-	85,000	51,591	85,000	(33,409)
Expenditures:					
Instruction	76,370	76,370	46,929	-	29,441
Noninstructional services	4,170	4,170	202	-	3,968
Total Expenditures	80,540	80,540	47,131	-	33,409
Excess (Deficiency) of Revenues Over Expenditures	<u>(80,540)</u>	<u>4,460</u>	<u>4,460</u>	<u>85,000</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(4,460)	(4,460)	(4,460)	-	-
Total Other Financing Sources (Uses)	(4,460)	(4,460)	(4,460)	-	-
Net Change in Fund Balances	<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>(85,000)</u>	<u>-</u>
Fund Balances:					
July 1, 2005				-	-
June 30, 2006	\$ <u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>(85,000)</u>	<u>-</u>

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

Benoit School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

Benoit School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Schedule 1

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$11,542
Child Nutrition Cluster:		
School Breakfast Program	10.553	64,951
National School Lunch Program	10.555	129,974
Total Child Nutrition cluster		<u>194,925</u>
Total passed-through the MDE		<u>206,467</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>206,467</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	16,678
Total Federal Communication Commission		<u>16,678</u>
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	570,084
Safe and Drug-Free Schools and Communities - State Grants	84.186	7,423
Twenty-first century community learning centers	84.287	92,614
State Grants for Innovative Programs	84.298	1,818
Teacher quality enhancement grants	84.336	216,827
Reading first - state grants	84.357	33,698
Special Education Cluster:		
Special Education - Grants to States	84.027	117,935
Special Education - Preschool Grants	84.173	2,928
Total Special Education Cluster		<u>120,863</u>
Total passed-through the MDE		<u>1,043,327</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,043,327</u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$1,266,472</u></u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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.

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

Expenditures	Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 2,595,583	1,016,805	399,476	100,190	1,079,112
Other	1,210,244	592,884	68,919	21,110	527,331
Total	\$ 3,805,827	1,609,689	468,395	121,300	1,606,443

Total number of students * 315

Cost per student \$ 12,082 5,110 1,487 385 5,100

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); Support Services - Business (2500s)
 School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)
 Other - includes all expenditure functions not included in Instruction or Administration categories
 includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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
Benoit School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 26, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated September 26, 2006, which is included in this report.

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



J.E. Fortenberry, III, PC
September 26, 2006

Certified Public Accountant

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, telephone (601) 992-5292

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**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
Benoit School District

Compliance

I have audited the compliance of the Benoit School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, Benoit School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Benoit School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a

reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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



J.E. Fortenberry, III, PC
September 26, 2006

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Benoit School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2006, which collectively comprise Benoit School District's basic financial statements and have issued my report thereon dated September 26, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in Finding 1 below. The district reported \$6,626.50 of classroom supply funds carried over from previous years.

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

1. Finding

Section 37-61-33, Miss. Code Ann. (1972), requires that Mississippi Public School Districts allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. Section 37-61-33, Miss. Code Ann. (1972), further defines "teacher" for this statute and specifically excludes all federally-funded teachers from being included in the allocation process. Benoit School District allocated classroom supplies to seven (7) teachers that were federally funded classroom teachers.

Recommendation

The District should comply with Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) classroom supply funds equally among all classroom teachers but to preclude allocation to federally-funded teachers.

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, telephone (601) 992-5292

School District's Response

The District will comply with Section 37-61-33, Miss. Code Ann. (1972).

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.

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.



J.E. Fortenberry, III, PC
September 26, 2006

Certified Public Accountant

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Title I - grants to local educational agencies
CFDA # 84.010 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

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

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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