



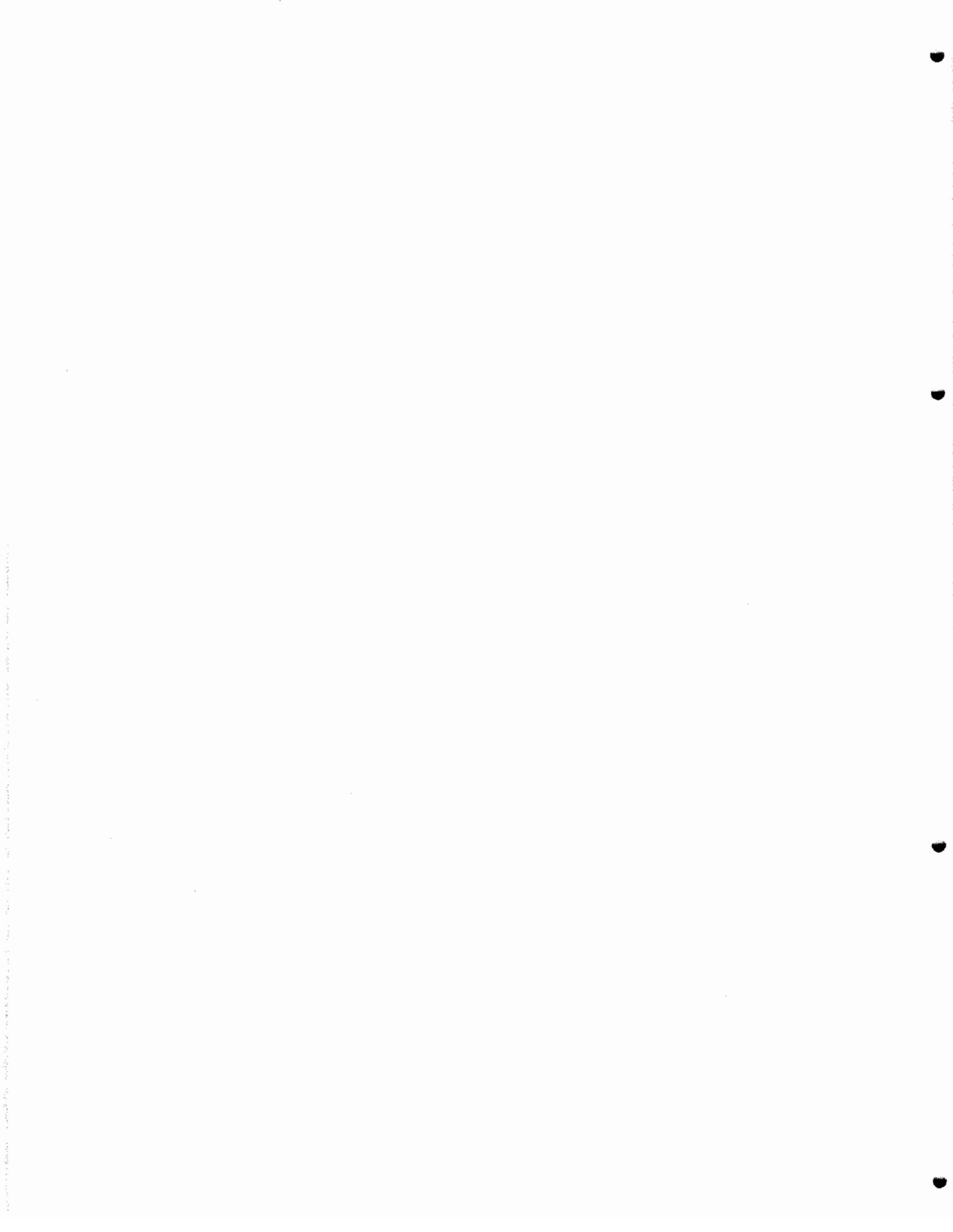
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BOONEVILLE SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006



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JUNE 30, 2006**

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**INDEPENDENT AUDITORS' REPORT
ON THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board
Booneville School District

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

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 Booneville School District as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2007, on our consideration of the Booneville 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 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 on pages 3 through 8 and the Budgetary Comparison Schedules and corresponding notes on pages 28 and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, 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 Booneville 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 Expenditure - Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Brauner, Vanstory & Co. P.A.

June 20, 2007
Booneville, Mississippi

BOONEVILLE SCHOOL DISTRICT

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

The discussion and analysis of Booneville 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 selection 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 increased \$606,786, which represents 6.6% increase from fiscal year 2005.

General revenues account for \$7,832,409 in revenue, or 78.7% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,126,009 or 21.3% of total revenues.

The District had \$9,351,632 in expenses; only \$2,126,009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,832,409 were adequate to provide for these programs.

Among major funds, the General Fund had \$7,946,398 in revenues and \$7,459,602 in expenditures. The General Fund's fund balance increased \$490,461 over the prior year. This was a result of increased revenue.

Capital assets, net of accumulated depreciation, decreased by \$219,943.

Long-term debt decreased by \$366,786.

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 and interest on long-term liabilities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

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 12 and 14, 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 11 and 13 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 15.

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 16-27 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 other major funds. This required supplementary information can be found on pages 28-32 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 33 of this report.

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

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 \$9,854,518 as of June 30, 2006.

By far the largest portion of the District's net assets, 59.4%, reflects its investment in capital assets (e.g., land, 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.

| | 2006 | 2005 | % change |
|---|---------------------|---------------------|--------------|
| Current assets | \$ 4,164,069 | \$ 3,691,906 | 12.7% |
| Capital assets, net | 9,608,448 | 9,828,391 | -2.2% |
| Total assets | 13,772,517 | 13,520,297 | 1.8% |
| Current liabilities | 463,931 | 429,591 | 8.0% |
| Long-term debt outstanding | 3,454,068 | 3,842,974 | -10.1% |
| Total liabilities | 3,917,999 | 4,272,565 | -8.2% |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 5,856,036 | 5,715,781 | 2.5% |
| Restricted | 826,993 | 768,109 | 7.7% |
| Unrestricted | 3,171,489 | 2,763,842 | 14.7% |
| Total net assets | \$ 9,854,518 | \$ 9,247,732 | 6.6% |

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

Decrease in long-term debt of \$366,786, due to repayment of debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006, were \$9,958,418. The total cost of all programs and services was \$9,351,632. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

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

| | 2006 | 2005 | % change |
|---------------------------------------|-------------------|-------------------|-------------|
| Revenues: | | | |
| Program revenues | | | |
| Charges for Services | \$ 1,072,791 | \$ 859,540 | 24.8% |
| Operating Grants and Contributions | 1,053,218 | 1,450,849 | -27.4% |
| General revenues | | | |
| Tax Levies | 1,541,646 | 1,501,422 | 2.7% |
| Unrestricted Grants and Contributions | 6,106,549 | 5,437,857 | 12.3% |
| Other | 184,214 | 85,587 | 115.2% |
| Total revenues | 9,958,418 | 9,335,255 | 6.7% |
| Expenses: | | | |
| Instruction | 6,052,054 | 5,405,483 | 12.0% |
| Support services | 2,637,451 | 2,711,230 | -2.7% |
| Non-instructional | 482,016 | 467,224 | -3.2% |
| Interest on long-term liabilities | 180,111 | 197,425 | -8.8% |
| Total expenses | 9,351,632 | 8,781,362 | 6.5% |
| Increase in net assets | \$ 606,786 | \$ 553,893 | 9.5% |

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

| | Total Expenses | | | Net (Expense) Revenue | | |
|-----------------------------------|---------------------|---------------------|-------------|-----------------------|-----------------------|--------------|
| | 2006 | 2005 | % change | 2006 | 2005 | % change |
| Instruction | \$ 6,052,054 | \$ 5,405,483 | 12.0% | \$ (4,756,769) | \$ (4,113,565) | 15.6% |
| Support services | 2,637,451 | 2,711,230 | -2.7% | (2,250,985) | (2,311,417) | -2.6% |
| Non-instructional | 482,016 | 467,224 | 3.2% | (37,758) | (10,197) | 270.3% |
| Interest on long-term liabilities | 180,111 | 197,425 | -8.8% | (180,111) | (35,794) | 403.2% |
| Total expenses | \$ 9,351,632 | \$ 8,781,362 | 6.5% | \$ (7,225,623) | \$ (6,470,973) | 11.7% |

Net cost of governmental activities, \$7,225,623, was financed by general revenue, which is made up of primarily property taxes and state revenue, totaling \$7,638,715.

Investment earnings accounted for \$86,475 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, outflow 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 \$4,081,296, an increase of \$449,325, due primarily to increased revenues. \$3,520,103 or 86.25% 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 \$561,193 or 13.75% is reserved or designated to indicate that it is not available for spending because it is already committed.

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

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 \$490,461, a result of increased revenue. The fund balance of Other Governmental Funds showed a decrease of \$39,024 due primarily to debt payments.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

General Fund

Revenues: The budget was amended to reflect actual revenues for additional local, state and federal revenues collected.

Expenditures: The expenditure budget was amended to reflect less expenditures than originally expected. \$135,180 less than originally budgeted was spent.

Hurricane Relief Aid

There was no original budget. This money became available later in the year.

EHA Part B Fund

Revenue and expenditure budget was amended to reflect additional revenue and expenditures were amended to allow for the additional revenue.

Sprans Grant

This fund was amended to reflect additional revenues and the related expenditures.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, Hurricane Relief Aid, EHA Part B Fund and Sprans Grant are on pages 28-32.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$13,798,132, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$219,943 from the previous year. Total accumulated depreciation as of June 30, 2006, was \$4,189,684 and total depreciation expense for the year was \$294,141, resulting in total net assets of \$9,608,448.

Additional information on the District's capital assets can be found in Note 5 on page 22 of this report.

Debt Administration. At June 30, 2006, the District had \$3,843,036 in general obligation bonds and other long-term debt outstanding, of which \$388,968 is due within one year.

Additional information on the District's long-term debt can be found in Note 6 on page 23 of this report.

CURRENT ISSUES

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

The millage still has not increased and the District enrollment is holding steady. The District will be paying \$400,000 to Prentiss County School District in August, 2007 as part of the agreement for the annexed area students to be able to attend Booneville School District. These payments will be a total of \$1,000,000 over a four year period.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Booneville School District, P.O. Box 358, Booneville, MS 38829.

BOONEVILLE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

| | Primary Government Governmental Activities |
|--|---|
| ASSETS | |
| Cash and Cash equivalents (Note 3) | \$ 3,759,139 |
| Due From Other Governments | 308,380 |
| Inventories and Prepaid Items | 48,105 |
| Due From Other Funds | 48,445 |
| Capital assets, not being depreciated (Note 5) | |
| Land | 92,796 |
| Capital assets, net of accumulated depreciation: | |
| Buildings | 9,230,863 |
| Improvements other than buildings | 5,483 |
| Mobile equipment | 165,844 |
| Furniture and equipment | 113,462 |
| Total Assets | 13,772,517 |
| LIABILITIES | |
| Accounts Payable and Accrued Liabilities | 41,553 |
| Interest Payable on Long Term Liabilities | 25,644 |
| Deferred Revenue | 7,766 |
| Long Term Liabilities (due within one year) (Note 6) | |
| Capital Related Liabilities | 382,454 |
| Non-capital Liabilities | 6,514 |
| Long-Term Liabilities (due beyond one year) Note 6 | |
| Capital Related Liabilities | 3,369,958 |
| Non-capital Liabilities | 84,110 |
| Total Liabilities | 3,917,999 |
| NET ASSETS | |
| Investment in Capital Assets, Net of Related Debt | 5,856,036 |
| Restricted Net Assets | |
| School based activities | 285,253 |
| Debt Service | 507,006 |
| Capital Improvements | 10,338 |
| Unemployment Benefits | 24,396 |
| Unrestricted | 3,171,489 |
| Total Net Assets | \$ 9,854,518 |

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

BOONEVILLE SCHOOL DISTRICT
Statement of Net Activities
For the Year Ended June 30, 2006

Exhibit B

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|--------------------------------------|-------------------------|--------------------|----------------------|----------------------|
| | <u>Expenses</u> | <u>Charges for</u> | <u>Operating</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Net Assets</u> |
| | | | | <u>Primary</u> |
| | | | | <u>Government</u> |
| | | | | <u>Governmental</u> |
| | | | | <u>Activities</u> |
| Governmental Activities | | | | |
| Instruction | \$ 6,052,054 | 618,210 | 677,075 | (4,756,769) |
| Support Services | 2,637,451 | 10,323 | 376,143 | (2,250,985) |
| Noninstructional | 482,016 | 444,258 | - | (37,758) |
| Interest on Long-Term Liabilities | 180,111 | - | - | (180,111) |
| Total Governmental Activities | \$ 9,351,632 | 1,072,791 | 1,053,218 | (7,225,623) |

General Revenues:

| | |
|--|---------------------|
| Taxes: | |
| General Purpose Levies | 1,208,847 |
| Debt Purpose Levies | 332,799 |
| Unrestricted Grants and Contributions | |
| State | 6,097,069 |
| Federal | 9,480 |
| Unrestricted Investment Earnings | 86,475 |
| Other | 97,739 |
| Total General Revenues | 7,832,409 |
| Change in Net Assets | 606,786 |
| Net Assets - Beginning | 9,247,732 |
| Net Assets - Ending | \$ 9,854,518 |

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

BOONEVILLE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2006

| | Major Funds | | | | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------------|--------------------|-----------------|--------------------------------|--------------------------------|
| | General Fund | Hurricane Education Relief | EHA Part B Fund | Sprans Grant | | |
| ASSETS | | | | | | |
| Cash and Cash equivalents (Note 3) | \$ 2,958,474 | - | - | - | 800,665 | 3,759,139 |
| Due from other governments | 81,230 | 75,537 | 67,070 | 41,725 | 42,818 | 308,380 |
| Due from other funds (Note 4) | 256,041 | - | - | - | - | 256,041 |
| Inventory of food | - | - | - | - | 14,651 | 14,651 |
| Total Assets | \$ 3,295,745 | 75,537 | 67,070 | 41,725 | 858,134 | 4,338,211 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | \$ 41,442 | - | - | 70 | 41 | 41,553 |
| Due to other fund (Note 4) | - | 75,537 | 59,304 | 41,655 | 31,100 | 207,596 |
| Deferred revenue | - | - | 7,766 | - | - | 7,766 |
| Total Liabilities | 41,442 | 75,537 | 67,070 | 41,725 | 31,141 | 256,915 |
| Fund Balances | | | | | | |
| Reserved for: | | | | | | |
| Advalorem | 15,401 | - | - | - | - | 15,401 |
| Unemployment benefits | - | - | - | - | 24,396 | 24,396 |
| Inventory | - | - | - | - | 14,651 | 14,651 |
| Debt Service | - | - | - | - | 496,407 | 496,407 |
| Capital projects | - | - | - | - | 10,338 | 10,338 |
| Undesignated reported in: | | | | | | |
| General funds | 3,238,902 | - | - | - | - | 3,238,902 |
| Special revenue funds | - | - | - | - | 281,201 | 281,201 |
| Total Fund Balances | 3,254,303 | - | - | - | 826,993 | 4,081,296 |
| Total Liabilities and Fund Balances | \$ 3,295,745 | 75,537 | 67,070 | 41,725 | 858,134 | 4,338,211 |

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

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

| | <u>Amount</u> |
|---|---------------------|
| Total Fund Balance-Governmental Funds | \$ 4,081,296 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| 1. Capital assets are used in governmental activities, are not financial resources and therefore are not reported in the funds, \$13,798,132 net of accumulated depreciation of \$4,189,684. (Note 5) | 9,608,448 |
| 2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 6) | (3,843,036) |
| 3. Accrued interest on debt is not due and payable in the current period and therefore are not reported in the funds. | (25,644) |
| 4. Debt issue costs are not expenses of the current period and are not reported in the funds. | <u>33,454</u> |
| Total Net Assets - Governmental Activities | <u>\$ 9,854,518</u> |

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

BOONEVILLE SCHOOL DISTRICT
Statement of Revenue, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2006

| | Major Funds | | | | | Total Governmental Funds |
|--|------------------|------------------------------------|--------------------|-------------------------|--------------------------------|--------------------------------|
| | General Fund | Hurricane Education Recovery | EHA Part B Fund | Sprans Grant Fund | Other Governmental Funds | |
| Revenues | | | | | | |
| Local sources | \$ 2,010,964 | - | 54 | - | 492,096 | 2,503,114 |
| State sources | 5,925,954 | - | 10,766 | - | 293,537 | 6,230,257 |
| Federal sources | 9,480 | 102,037 | 292,185 | 286,646 | 534,699 | 1,225,047 |
| Total Revenues | 7,946,398 | 102,037 | 303,005 | 286,646 | 1,320,332 | 9,958,418 |
| Expenditures | | | | | | |
| Instruction | 4,916,666 | 102,037 | 165,254 | 286,646 | 354,084 | 5,824,687 |
| Support services | 2,398,776 | - | 134,376 | - | 71,044 | 2,604,196 |
| Noninstructional services | 93,598 | - | - | - | 385,143 | 478,741 |
| Facilities acquisition and construction | 44,048 | - | - | - | - | 44,048 |
| Debt Service: | | | | | | |
| Principal | 6,514 | - | - | - | 360,198 | 366,712 |
| Interest | - | - | - | - | 190,710 | 190,710 |
| Total Expenditures | 7,459,602 | 102,037 | 299,630 | 286,646 | 1,361,179 | 9,509,094 |
| Excess (Deficiency) of Revenues Over Expenditures | 486,796 | - | 3,375 | - | (40,847) | 449,324 |
| Other Financing Sources (Uses) | | | | | | |
| Insurance less recoveries | - | - | - | - | - | - |
| Transfers In | 3,665 | - | - | - | - | 3,665 |
| Transfers Out | - | - | (3,375) | - | (290) | (3,665) |
| Total Other Financing Sources (Uses) | 3,665 | - | (3,375) | - | (290) | - |
| Net Change in Fund Balances | 490,461 | - | - | - | (41,137) | 449,324 |
| Fund Balances | | | | | | |
| July 1, 2005 | 2,763,842 | - | - | - | 866,017 | 3,629,859 |
| Increase in reserve for Inventory | - | - | - | - | 2,113 | 2,113 |
| June 30, 2006 | \$ 3,254,303 | - | - | - | 826,993 | 4,081,296 |

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

BOONEVILLE 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, 2006

| | <u>Amount</u> |
|---|--------------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 449,324 |
| 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 assets purchased amounted to \$74,278 and the depreciation expense amounted to \$294,141. (Note 5) | (219,863) |
| 2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 6) | 366,712 |
| 3. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activity. | 10,599 |
| 4. Decrease in compensated absences is reported as an adjustment to instruction, support services and noninstructional services. | 74 |
| 5. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activity | 2,113 |
| 6 Book value of assets disposed | (80) |
| 7 Amortization of debt issue costs capitalized in prior year | <u>(2,093)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 606,786</u> |

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

Exhibit E

BOONEVILLE SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2006

| | Fiduciary Fund Type |
|--|------------------------|
| | <u>Agency</u> |
| ASSETS | |
| Cash and cash equivalents | \$ 558,847 |
| TOTAL ASSETS | <u>558,847</u> |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 439,419 |
| Other Payables | 12,440 |
| Due to student clubs | 58,543 |
| Due to other funds | <u>48,445</u> |
| TOTAL LIABILITIES | <u>\$ 558,847</u> |

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

**BOONEVILLE 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 an "other stand-alone government." The school district is a related organization of but not a component unit of the City of Booneville since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so 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 is 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.

Hurricane Education Recovery – This fund is used to account for federal revenues and expenditures for instruction of Hurricane Katrina displaced students.

EHA Part B Fund – This fund is used to account for the federal revenues and expenditures of the Special Education Program.

Sprans Grant – This fund is used to account for federal revenues and expenditures of an abstinence program.

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 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.

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.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) Summary of Significant Accounting Policies (Continued)

D. Account Classifications

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

E. Encumbrances

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

F. Cash and Other Equivalents

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

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

G. Investments

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items

Donated inventories 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.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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.

| | Capitalization Policy | Estimated Useful Life |
|--------------------------------------|--------------------------|--------------------------|
| Land | \$ - | - |
| 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 in the governmental activities column. See Note (6) for details.

K. Interfund Transactions and Balances

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

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

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.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) Summary of Significant Accounting Policies (Continued)

L. Equity Classifications

Government-Wide Financial Statements:

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. 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.
- c. 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 further split between 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 Advalorem- An account used to record the advalorem taxes collected in excess of legal limitations for the current fiscal year.

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 Debt Service – An account that represents a portion of the fund balance which indicated that debt service payments do not represent available spendable resources even though they are a component of net current assets.

Reserved for Capital Projects – An account that represents that portion of fund balance in the Capital Projects Fund which 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.

M. Property Taxes

Ad valorem property taxes are levied by the governing authority of the city 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.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(2) Changes in Accounting Standards

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

(3) Cash and Cash Equivalents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows: Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972).

The collateral for public entities' deposits in financial institutions are now 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 was \$3,759,139, and fiduciary funds were \$558,847. The carrying amount of deposits reported in the government wide statements was cash and cash equivalents \$3,759,139. The bank balance was \$5,058,300.

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 formal 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. As of June 30, 2006, none of the district's bank balance of \$5,058,300 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

| | Due From | Due To |
|------------------------------|------------|---------|
| Governmental Funds | | |
| General Fund | \$ 256,041 | - |
| Hurricane Education Recovery | - | 75,537 |
| EHA Part B Fund | - | 59,304 |
| Sprans Grant | - | 41,655 |
| Other Governmental Funds | - | 31,100 |
| Total Governmental Funds | 256,041 | 207,596 |
| Fiduciary Funds | | 48,445 |
| | \$ 256,041 | 256,041 |

\$207,596 is for loans made until reimbursements are received.

\$48,445 is for overage in a Payroll Transfer

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(4) Interfund Transactions and Balances (continued)

B. Transfers In/Out

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|---------------------|----------------------|
| Governmental Funds | | |
| General Fund | \$ 3,665 | - |
| EHA Part B | | 3,375 |
| Other Governmental Funds | | 290 |
| | <u>\$ 3,665</u> | <u>3,665</u> |

\$3,665 is transferred for indirect cost

(5) Capital Assets

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

| | Balance 7/1/2005 | Additions | Retirements | Completed Construction/ Adjustment | Balance 6/30/2006 |
|--|---------------------|------------------|--------------|--|----------------------|
| <u>Non-depreciable capital assets</u> | | | | | |
| Land | \$ 92,796 | - | - | - | \$ 92,796 |
| Construction in progress | 447,681 | 44,048 | - | (491,729) | - |
| Total non-depreciable capital assets | <u>540,477</u> | <u>44,048</u> | <u>-</u> | <u>(491,729)</u> | <u>92,796</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 12,448,330 | - | - | 491,729 | 12,940,059 |
| Improvements other than buildings | 27,340 | - | - | - | 27,340 |
| Mobile equipment | 378,462 | 30,230 | - | - | 408,692 |
| Furniture and equipment | 337,245 | - | 8,000 | - | 329,245 |
| Total depreciable capital assets | <u>13,191,377</u> | <u>30,230</u> | <u>8,000</u> | <u>491,729</u> | <u>13,705,336</u> |
| <u>Less accumulated depreciation</u> | | | | | |
| Buildings | 3,498,373 | 210,823 | - | - | 3,709,196 |
| Improvements other than buildings | 1,094 | 20,763 | - | - | 21,857 |
| Mobile equipment | 213,716 | 29,132 | - | - | 242,848 |
| Furniture and equipment | 190,280 | 33,423 | 7,920 | - | 215,783 |
| Total accumulated depreciation | <u>3,903,463</u> | <u>294,141</u> | <u>7,920</u> | <u>-</u> | <u>4,189,684</u> |
| Total depreciable capital assets, net | <u>9,287,914</u> | <u>(263,911)</u> | <u>80</u> | <u>491,729</u> | <u>9,515,652</u> |
| Governmental activities capital assets, net | <u>\$ 9,828,391</u> | <u>(219,863)</u> | <u>80</u> | <u>-</u> | <u>9,608,448</u> |

Depreciation expense was charged to the following governmental functions:

| | Amount |
|----------------------------|-------------------|
| Instruction | \$ 227,367 |
| Support services | 61,386 |
| Non-instructional | 5,388 |
| Total depreciation expense | <u>\$ 294,141</u> |

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(6) Long-term liabilities

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

| | Balance 7/1/2005 | Additions | Reductions | Balance 6/30/2006 | Amounts due within one year |
|--------------------------------------|---------------------|-----------|----------------|----------------------|-----------------------------------|
| A. General obligations bonds payable | \$ 3,245,000 | - | 115,000 | 3,130,000 | 125,000 |
| B. Limited obligation notes payable | 440,822 | - | 139,943 | 300,879 | 146,828 |
| C. Three mill notes payable | 426,788 | - | 105,255 | 321,533 | 110,626 |
| D. Other loans payable | 16,284 | - | 6,514 | 9,770 | 6,514 |
| E. Compensated absences payable | 80,928 | - | 74 | 80,854 | - |
| | <u>\$ 4,209,822</u> | <u>-</u> | <u>366,786</u> | <u>3,843,036</u> | <u>388,968</u> |

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--|------------------|------------|------------------|---------------------|-----------------------|
| General obligation bonds, Series 2002 | 4.0 - 5.5% | 7/1/02 | 7/1/22 | \$ 3,500,000 | 3,130,000 |
| Total | | | | <u>\$ 3,500,000</u> | <u>3,130,000</u> |

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|------------------|------------------|
| 2007 | \$ 125,000 | 140,899 | 265,899 |
| 2008 | 140,000 | 134,024 | 274,024 |
| 2009 | 140,000 | 126,324 | 266,324 |
| 2010 | 150,000 | 118,624 | 268,624 |
| 2011 | 160,000 | 112,061 | 272,061 |
| 2012-2016 | 930,000 | 456,459 | 1,386,459 |
| 2017-2021 | 1,205,000 | 231,300 | 1,436,300 |
| 2022-2024 | 280,000 | 12,600 | 292,600 |
| Total | <u>\$ 3,130,000</u> | <u>1,332,291</u> | <u>4,462,291</u> |

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 7.4% of property assessments as of October 1, 2005. This debt will be retired from the Bond Retirement Fund.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(6) Long-term liabilities (Continued)

B. Limited obligation notes payable.

Limited obligation notes are direct obligations and pledge the full faith and credit of the school district. Limited obligation notes currently outstanding are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------------|---------------|------------|---------------|---------------------|--------------------|
| State Aid Capital Improvement | 4.92% | 1/20/98 | 7/15/07 | \$ 1,105,544 | 300,879 |
| Total | | | | <u>\$ 1,105,544</u> | <u>300,879</u> |

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|---------------|----------------|
| 2007 | 146,828 | 14,803 | 161,631 |
| 2008 | 154,051 | 7,580 | 161,631 |
| Total | <u>\$ 300,879</u> | <u>22,383</u> | <u>323,262</u> |

The state aid capital improvement notes 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 notes are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Retirement Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-----------------|---------------|------------|---------------|-------------------|--------------------|
| Three mill note | 5.19% | 9/01/97 | 9/01/07 | \$ 579,000 | 140,450 |
| Three mill note | 4.64% | 11/7/03 | 11/7/09 | 260,000 | 181,083 |
| Total | | | | <u>\$ 839,000</u> | <u>321,533</u> |

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|---------------|----------------|
| 2007 | 110,626 | 15,677 | 126,303 |
| 2008 | 116,131 | 10,172 | 126,303 |
| 2009 | 46,241 | 4,403 | 50,644 |
| 2010 | 48,535 | 2,109 | 50,644 |
| Total | <u>\$ 321,533</u> | <u>32,361</u> | <u>353,894</u> |

This debt will be retired from the Three Mill Debt Retirement Fund.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(6) Long-term liabilities (Continued)

D. Other loans payable.

The school district has issued debt instruments granted under the authority of the Asbestos School Hazard Abatement Act of 1984.

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------|---------------|------------|---------------|---------------|--------------------|
| Asbestos Abatement Loan | 0.00% | 3/1/88 | 12/1/07 | \$ 117,248 | 9,770 |

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

| Year Ending June 30, | Principal | Total |
|-------------------------|-----------|-------|
| 2007 | 6,514 | 6,514 |
| 2008 | 3,256 | 3,256 |
| Total | \$ 9,770 | 9,770 |

This debt will be retired from the General Fund.

F. Compensated absences payable.

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

(7) Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Booneville School District's contributions to PERS for the years ending June 30, 2006, 2005, and 2004, were \$563,441, \$476,621, and \$428,016, respectively, equal to the required contributions for each year.

(8) 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.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(9) Contingencies

The school district receives Federal Grants for specific purposes that are subject to review and audit by Federal agencies. Such audits could result in a requirement for reimbursement by the Federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the school district, such disallowances, if any, would not be significant to the district's financial statements.

Litigation.

Litigation has been filed against the school district seeking compensation for work performed less what has been paid. The complaint alleges that an invoice was changed, reducing the invoice by \$10,000.

A complaint has been filed against the School District on behalf of a student for sexual assault by another student. The suit alleges indifference by the School District. The lawsuit is being vigorously defended by the District.

(10) Vocational Education Consortium

The school district entered into a Vocational Education Agreement dated January 1, 1984, creating the Prentiss County Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Mississippi Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Booneville School District and the Prentiss County 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 Prentiss County School District has been designated as the lead school district for the Prentiss County Vocational Center, and the operations of the consortium are included in its financial statements.

(11) Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 1995, creating the Northeast Mississippi Regional Alternative Education Cooperative (NEMRAEC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Booneville School District and the Baldwin School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Booneville School District has been designated as the lead school district for NEMRAEC, and the operations of the consortium are included in its financial statements.

**BOONEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(11) Alternative School Consortium (Continued)

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of NEMRAEC.

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

| | |
|--|-------------------|
| Revenues | |
| Local Sources | |
| Tuition from Other LEA's Within the State: | |
| Baldwyn School District | \$ 252,807 |
| Total Tuition from Other LEA's Within the State | 252,807 |
| Other Local Sources | 2,144 |
| State Sources | 66,190 |
| Total Revenues | <u>321,141</u> |
| Expenditures | |
| Salaries | 177,396 |
| Employee Benefits | 50,221 |
| Purchased Property Services | 18,454 |
| Supplies | 3,813 |
| Property | 398 |
| Total Expenditures | <u>250,282</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>70,859</u> |
| Net Change in Fund Balance | 70,859 |
| Fund Balance: | |
| July 1, 2005 | 96,425 |
| June 30, 2006 | <u>\$ 167,284</u> |

(12) Subsequent Events

The District has settled a lawsuit with Prentiss County School District for students in the annexed area of the City of Booneville to attend Booneville School District. As a result \$1,000,000 will be paid to the Prentiss County School District with \$400,000 being paid in August, 2007 and the remaining \$700,000 over the following three years.

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

Schedule 1

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|--|---------------------|------------------|------------------------|-------------------|-----------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenue | | | | | |
| Local Sources | \$ 1,927,078 | 2,007,778 | 2,010,964 | 80,700 | 3,186 |
| State Sources | 5,690,045 | 5,925,941 | 5,925,954 | 235,896 | 13 |
| Federal Sources | 15,500 | 48,725 | 9,480 | 33,225 | (39,245) |
| Total Revenues | <u>7,632,623</u> | <u>7,982,444</u> | <u>7,946,398</u> | <u>349,821</u> | <u>(36,046)</u> |
| Expenditures | | | | | |
| Instruction | 5,078,017 | 4,913,940 | 4,916,666 | 164,077 | (2,726) |
| Support Services | 2,398,434 | 2,398,776 | 2,398,776 | (342) | - |
| Noninstructional Services | 113,035 | 93,598 | 93,598 | 19,437 | - |
| Facilities Acquisition and Construction | 10,000 | 64,817 | 44,048 | (54,817) | 20,769 |
| Debt Service: Principal | 13,339 | 6,514 | 6,514 | 6,825 | - |
| Total Expenditures | <u>7,612,825</u> | <u>7,477,645</u> | <u>7,459,602</u> | <u>135,180</u> | <u>18,043</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>19,798</u> | <u>504,799</u> | <u>486,796</u> | <u>485,001</u> | <u>(18,003)</u> |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers In | 3,665 | 20,141 | 3,665 | 16,476 | (16,476) |
| Operating Transfers Out | (23,463) | (16,475) | - | 6,988 | 16,475 |
| Total Other Financing Sources (Uses) | <u>(19,798)</u> | <u>3,666</u> | <u>3,665</u> | <u>23,464</u> | <u>(1)</u> |
| Net Change in Fund Balance | <u>-</u> | <u>508,465</u> | <u>490,461</u> | <u>508,465</u> | <u>(18,004)</u> |
| Fund Balances | | | | | |
| July 1, 2005 | <u>2,781,432</u> | <u>2,781,432</u> | <u>2,763,842</u> | <u>-</u> | <u>(17,590)</u> |
| June 30, 2006 | <u>\$ 2,781,432</u> | <u>3,289,897</u> | <u>3,254,303</u> | <u>508,465</u> | <u>(35,594)</u> |

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

BOONEVILLE SCHOOL DISTRICT
Budgetary Comparison Schedule for the Hurricane Katrina Relief Act
For the Year Ended June 30, 2006

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|--|------------------|---------|------------------------|-------------------|-----------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenue | | | | | |
| Local Sources | \$ - | - | - | - | - |
| State Sources | - | 102,037 | 102,037 | 102,037 | - |
| Federal Sources | - | - | - | - | - |
| Total Revenues | - | 102,037 | 102,037 | 102,037 | - |
| Expenditures | | | | | |
| Instruction | - | 102,037 | 102,037 | (102,037) | - |
| Total Expenditures | - | 102,037 | 102,037 | (102,037) | - |
| Excess (Deficiency) of Revenues over Expenditures | - | - | - | - | - |
| Net Change in Fund Balance | - | - | - | - | - |
| Fund Balances | | | | | |
| July 1, 2005 | - | - | - | - | - |
| June 30, 2006 | \$ - | - | - | - | - |

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

BOONEVILLE SCHOOL DISTRICT
Budgetary Comparison Schedule for the EHA Part B Fund
For the Year Ended June 30, 2006

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|--|------------------|----------------|------------------------|-------------------|-----------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenue | | | | | |
| Local Sources | \$ - | 54 | 54 | 54 | - |
| State Sources | - | 10,766 | 10,766 | 10,766 | - |
| Federal Sources | 249,478 | 300,895 | 292,185 | 51,417 | (8,710) |
| Total Revenues | 249,478 | 311,715 | 303,005 | 62,237 | (8,710) |
| Expenditures | | | | | |
| Instruction | 112,130 | 165,254 | 165,254 | (53,124) | - |
| Support Services | 133,973 | 135,319 | 134,376 | (1,346) | 943 |
| Total Expenditures | 246,103 | 300,573 | 299,630 | (54,470) | 943 |
| Excess (Deficiency) of Revenues over Expenditures | 3,375 | 11,142 | 3,375 | 7,767 | (7,767) |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers Out | (3,375) | (3,375) | (3,375) | - | - |
| Total Other Financing Sources (Uses) | (3,375) | (3,375) | (3,375) | - | - |
| Net Change in Fund Balance | - | 7,767 | - | 7,767 | (7,767) |
| Fund Balances | | | | | |
| July 1, 2005 | - | - | - | - | - |
| June 30, 2006 | \$ - | 7,767 | - | 7,767 | (7,767) |

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

BOONEVILLE SCHOOL DISTRICT
Budgetary Comparison Schedule for the Sprans Grant Fund
For the Year Ended June 30, 2006

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|--|------------------|----------------|------------------------|-------------------|-----------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenue | | | | | |
| Local Sources | \$ - | - | - | - | - |
| State Sources | - | - | - | - | - |
| Federal Sources | 268,500 | 286,646 | 286,646 | 18,146 | - |
| Total Revenues | 268,500 | 286,646 | 286,646 | 18,146 | - |
| Expenditures | | | | | |
| Instruction | - | - | - | - | - |
| Support Services | 268,500 | 286,646 | 286,646 | (18,146) | - |
| Total Expenditures | 268,500 | 286,646 | 286,646 | (18,146) | - |
| Excess (Deficiency) of Revenues over Expenditures | - | - | - | - | - |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers Out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balance | - | - | - | - | - |
| Fund Balances | | | | | |
| July 1, 2005 | - | - | - | - | - |
| June 30, 2006 | \$ - | - | - | - | - |

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

**BOONEVILLE SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved by 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.

BOONEVILLE 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 Mississippi Department of Education: | | |
| Non-cash Assistance: | | |
| Food donation | 10.550 | \$ 25,502 |
| Child Nutrition Cluster: | | |
| School breakfast program | 10.553 | 64,491 |
| National school lunch program | 10.555 | 183,618 |
| Total Child Nutrition Cluster | | 248,109 |
| Total Passed-through MDE | | 273,611 |
| Total U.S. Department of Agriculture | | 273,611 |
| U.S. Department of Health and Human Services | | |
| Passed-through Mississippi Department of Health and Human Services | | |
| Community Based Abstinence Education | 93.010 | 286,646 |
| Total U.S. Department of Health and Human Services | | 286,646 |
| Federal Communications Commission | | |
| Passed-through the Universal Service Administrative Company | | |
| The Schools and Libraries Program of the Universal Service Fund | 32.xxx | 19,028 |
| Total Federal Communicatons Commission | | 19,028 |
| U.S. Department of Education | | |
| Passed-through Mississippi Department of Education: | | |
| Special Education Cluster | | |
| Special education - grants to states | 84.027 | 303,949 |
| Special education - preschool grants | 84.173 | 2,357 |
| Total Special Education Cluster | | 306,306 |
| Title I grants to local educational agencies | 84.010 | 151,302 |
| Improving teacher quality - state grants | 84.367 | 48,995 |
| Safe and drug-free schools and and communities - state grants | 84.186 | 6,266 |
| State grants for innovative programs | 84.298 | 4,388 |
| Education techonology state grants | 84.318 | 3,788 |
| Hurricane education recovery | 84.398 | 102,037 |
| Total Passed-through MDE | | 623,082 |
| Total U.S. Department of Education | | 623,082 |
| Total for All Federal Awards | | \$ 1,202,367 |

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 basic financial statements.
- 2 The expenditure amounts include transfers out.
- 3 The pass through entities did not assign identifying numbers to the school district.
- 4 The balance outstanding at June 30, 2006 of the loan received in a previous fiscal year under former CFDA# 66.702 for asbestos removal was \$9,770.

Booneville School District
 Schedule of Instructional, Administrative and Other Expenses - Governmental Funds
 June 30, 2006

| <u>Expenditures</u> | <u>Total</u> | <u>Insdtuctional and Other Student Expenditures</u> | <u>General Administration</u> | <u>School Administration</u> | <u>Other</u> |
|------------------------------|---------------------|---|-----------------------------------|----------------------------------|------------------|
| Salaries and fringe benefits | \$ 6,965,168 | 5,536,272 | 435,395 | 361,562 | 631,939 |
| Other | 2,543,926 | 1,718,083 | 67,414 | 28,952 | 729,477 |
| Total | \$ 9,509,094 | 7,254,355 | 502,809 | 390,514 | 1,361,416 |
| | | | | | |
| Total number of students | <u>1,349</u> | | | | |
| | | | | | |
| Cost per student | <u>\$ 7,049</u> | <u>5,378</u> | <u>373</u> | <u>289</u> | <u>1,009</u> |

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' aides or classroom assistants, of any type. All the 1000, 2100 and 2200 functional codes.

General Administration - includes expenditures for the following functions: Support services - General Administrative (2300s) and 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 administrative.

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



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**INDEPENDENT AUDITORS' 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
Booneville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Booneville School District as of and for the year ended June 30, 2006, which collectively comprise the Booneville School District's basic financial statements and have issued our report thereon dated June 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the school district's ability to initiate, record process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2006 - 1.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is not a material weakness.

Compliance

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 statements 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*.

This report is intended solely for the information and use of the school board, 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.

Brawner, Vanstory & Co. P.A.
June 20, 2007
Booneville, Mississippi

BOONEVILLE SCHOOL DISTRICT

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Certified Public Accountants

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**INDEPENDENT AUDITORS' 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
Booneville School District

Compliance

We have audited the compliance of the Booneville 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 auditors' 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 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 2006 – 02 in the Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding reporting that are applicable to its Hurricane Education Recovery. Compliance with such requirements is necessary, in our opinion, for the school district to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Booneville School District complied, 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 Booneville 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 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our 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. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board, 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.

Brauner, Van Stuyck & Co. P.A.

June 20, 2007

Booneville, Mississippi



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Booneville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Booneville School District as of and for the year ended June 30, 2006, which collectively comprise Booneville School District's basic financial statements and have issued our report thereon dated June 20, 2007. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and 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, 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 \$68,545 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 our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board, 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.

Brawner, Vanstory & Co. P.A.

June 20, 2007
Booneville, Mississippi

**BOONEVILLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section 1: **Summary of Auditors' Results**

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditors' 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 conditions identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Qualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | Hurricane Education Recovery | CFDA # 84.938 |
| | Title I Grants & Local Education Agencies Cluster: | CFDA # 84.010 |
| | Child Nutrition | CFDA # 10.553 10.555 |
| 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 |

**BOONEVILLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section 2: Financial Statement Findings

FINDING 2006-1

There was not sufficient documentation to support 7 out of 20 activity fund receipts tested. All revenues collected should have sufficient support documentation to insure that all revenues collected were deposited.

Recommendation:

All funds collected from students should be receipted to the students by the person receiving the money. When the money is turned in to the school secretary, the money should be counted and receipted to the teacher or sponsor. Field trips, room fees and other fees, at a bare minimum should have a list of students turning in the funds, but it would be better for all funds to be receipted.

Response:

All fees are now collected by the teachers and a receipt is given to the student/parent. The teacher turning the money in to the secretary, who matches the receipts and funds and gives the teacher a receipt for the entire amount. All receipts are then placed with the deposit slip.

Section 3: Federal Award Findings and Questioned Costs

FINDING 2006-2

Program: Hurricane Education Recovery
CFDA# 84.938
Compliance Requirement: Reporting
Questioned Costs: \$39,245

An incorrect number of students were claimed for reimbursements, thereby resulting in an overpayment of \$39,245.

Recommendation:

Procedures should be put in place to specify who is to count students for reporting purposes and the procedures to be used to accurately count students.



**Booneville
School District**

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Booneville, MS 38829

AUDITEE'S CORRECTIVE ACTION PLAN

As required by by Section _____,315 (c) of OMB Circular A-133 the Booneville School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

| Finding | Corrective Action Plan Details |
|----------------|---|
| 2006-2 | <p>a. Contact Person: Rickey Neaves Superintendent 662-728-2171</p> <p>b. In the case of another situation that requires a student count, the counselor at each school will be responsible for counting their number at their school. These names and numbers will then be turned in to the MSIS person at the central office to ensure a proper count.</p> <p>c. Implemented upon notification of finding.</p> |