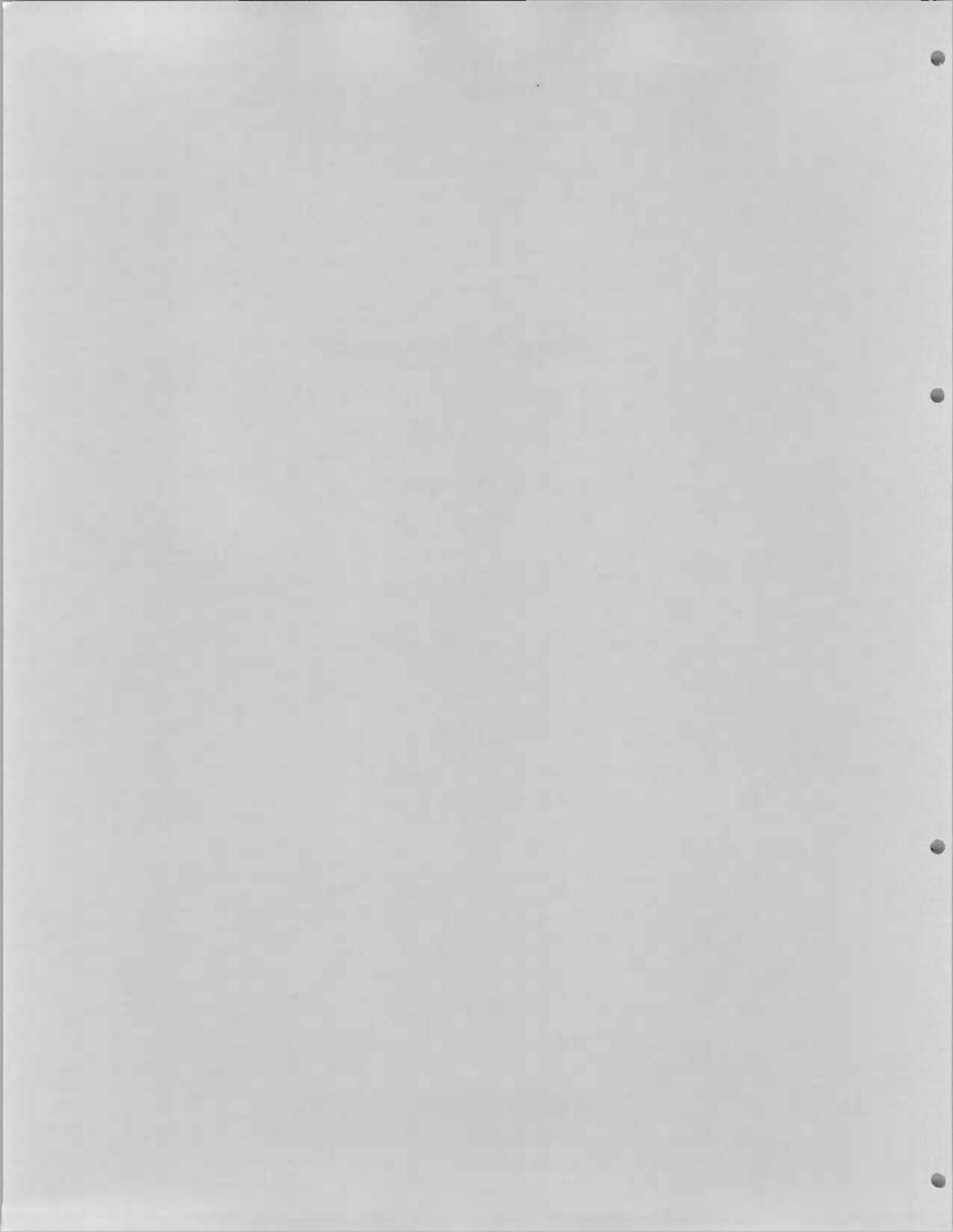




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BOONEVILLE SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011



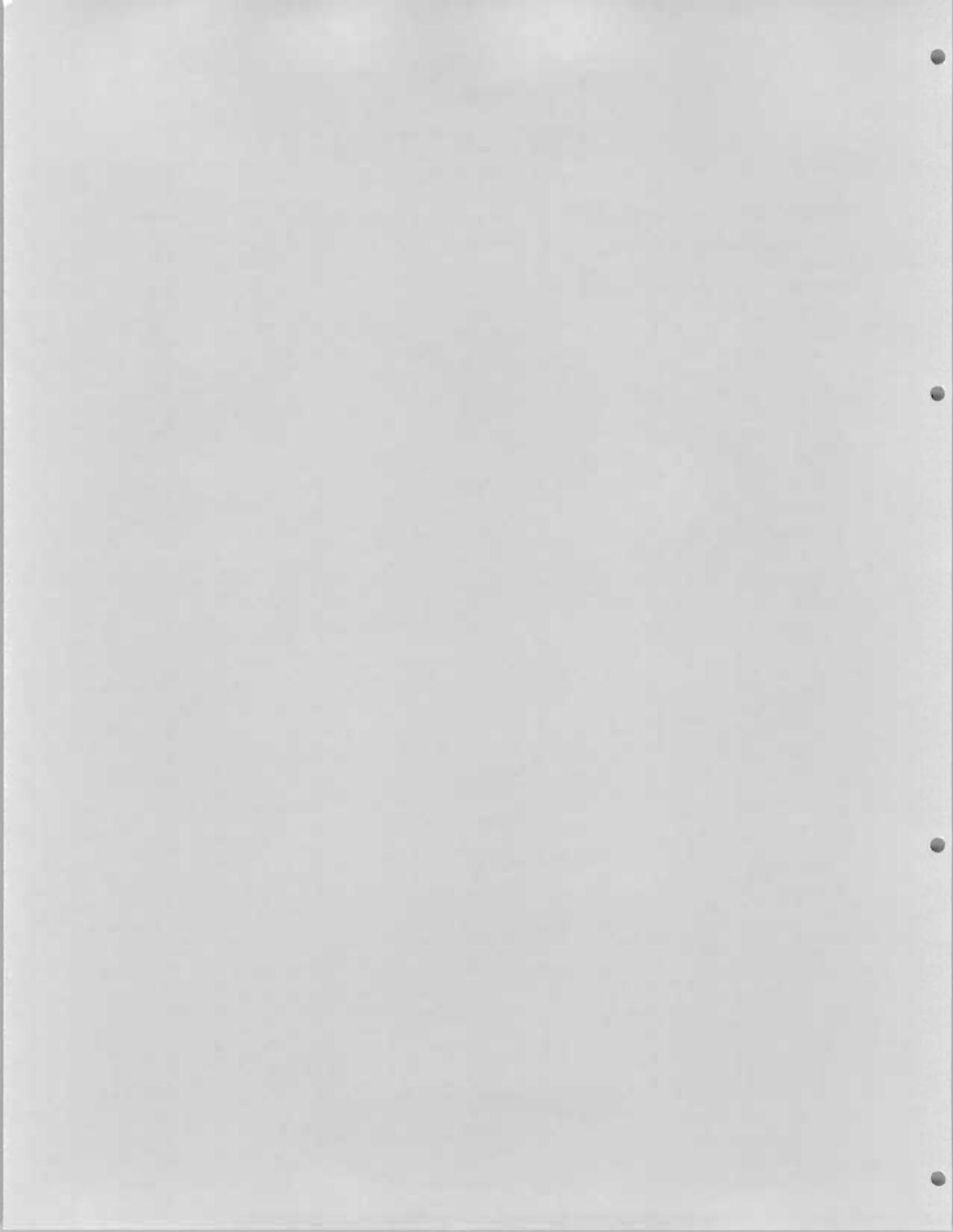
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INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2011, 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 May 18, 2012, on our consideration of the Booneville School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by

the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Parsons, Vanotary & Co. P.A

May 18, 2012
Booneville, Mississippi

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The discussion and analysis of Booneville School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$45,550, which represents 0.47% increase from fiscal year 2010. The total net assets for 2010 decreased \$314,659, including a prior period adjustment of \$(12,167), which represents a 3.2% decrease from fiscal year 2009.
- General revenues amounted to \$7,770,690 and \$7,433,508, or 73.8% and 72.6% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,763,953, or 26.2% of the total revenues for 2011, and \$2,806,090, or 27.4% of the total revenues for 2010.
- The District had \$10,489,093 and \$10,542,090 in expenses for fiscal years 2011 and 2010; only \$2,763,953 for 2011 and \$2,806,090 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,770,690 for 2011 were adequate, and \$7,433,508 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,563,597 in revenues and \$7,336,614 in expenditures for 2011, and \$7,695,077 in revenues and \$7,826,334 in expenditures for 2010. The General Fund's fund balance decreased by \$544,216 from 2010 to 2011, and decreased by \$443,834 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$322,051 for 2011 and \$129,196, including a prior period adjustment of \$(12,167), for 2010. The increase for 2011 was primarily due to the addition of construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$2,021,186 for 2011 and decreased by \$352,456 for 2010. The increase for 2011 was due primarily to the issuance of qualified school construction bonds. The liability for compensated absences decreased by \$4,261 for 2011 and increased by \$6,119 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information and other information.

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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 – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, are presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$9,655,029 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 5,562,024	\$ 3,972,054	40.03%
Capital assets, net	9,547,147	9,225,096	3.49%
Total assets	<u>15,109,171</u>	<u>13,197,150</u>	14.49%
Current liabilities	51,850	206,565	-74.90%
Long-term debt outstanding	5,402,292	3,381,106	59.78%
Total liabilities	<u>5,454,142</u>	<u>3,587,671</u>	52.02%
Net assets:			
Invested in capital assets, net of related debt	6,519,899	5,943,295	9.70%
Restricted	759,892	1,350,912	-43.75%
Unrestricted	2,375,238	2,315,272	2.59%
Total net assets	<u>\$ 9,655,029</u>	<u>\$ 9,609,479</u>	0.47%

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

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

- Increase in net capital assets in the amount of \$322,051.
- The issuance of long-term debt of \$2,280,000 and the principal retirement of \$254,553 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$10,534,643 and \$10,239,598, respectively. The total cost of all programs and services was \$10,489,093 for 2011 and \$10,542,090 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 582,278	\$ 613,243	-5.05%
Operating grants and contributions	2,181,675	2,192,847	-0.51%
General revenues:			
Property taxes	1,881,730	1,460,681	28.83%
Grants and contributions not restricted	5,848,093	5,854,926	-0.12%
Investment earnings	13,546	57,858	-76.59%
Other	27,321	60,043	-54.50%
Total revenues	<u>10,534,643</u>	<u>10,239,598</u>	2.88%
Expenses:			
Instruction	6,482,344	6,359,454	1.93%
Support services	3,335,794	3,531,603	-5.54%
Non-instructional	525,057	492,107	6.70%
Interest and other expense on long-term liabilities	145,898	158,926	-8.20%
Total expenses	<u>10,489,093</u>	<u>10,542,090</u>	-0.50%
Increase(decrease) in net assets	<u>45,550</u>	<u>(302,492)</u>	-115.06%
Net assets, July 1, as originally reported	9,609,479	9,924,138	-3.17%
Prior period adjustment	-	(12,167)	N/A
Net assets, July 1, as restated	<u>9,609,479</u>	<u>9,911,971</u>	-3.05%
Net assets, June 30	<u>\$ 9,655,029</u>	<u>\$ 9,609,479</u>	0.47%

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 functional activity's net cost (total cost less charges for services generated by the activities and inter-

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

governmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage
	2011	2010	Change
Instruction	\$ 6,482,344	\$ 6,359,454	1.93%
Support services	3,335,794	3,531,603	-5.54%
Non-instructional	525,057	492,107	6.70%
Interest on long-term liabilities	145,898	158,926	-8.20%
Total expenses	\$ 10,489,093	\$ 10,542,090	-0.50%

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	\$ (4,972,629)	\$ (4,242,601)	17.21%
Support services	(2,525,285)	(3,270,179)	-22.78%
Non-instructional	(81,328)	(64,294)	26.49%
Interest on long-term liabilities	(145,898)	(158,926)	-8.20%
Total net (expense) revenue	\$ (7,725,140)	\$ (7,736,000)	-0.14%

- Net cost of governmental activities (\$7,725,140 for 2011 and \$7,736,000 for 2010) was financed by general revenue, which is primarily made up of property taxes of (\$1,881,730 for 2011 and \$1,460,681 for 2010) and state and federal revenues of (\$5,848,093 for 2011 and \$5,854,926 for 2010).

- Investment earnings amounted to \$13,546 for 2011 and \$57,858 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in accessing the District's financing requirements. In particular, unassigned 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 \$5,460,663, an increase of \$1,742,896, which includes an increase in inventory of \$803. \$2,273,965 or 41.6% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,186,698 or 58.4% is either nonspendable,

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$544,216. The fund balance of Other Governmental Funds showed an increase in the amount of \$7,142 including an increase in inventory of \$803. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
ARRA Special Education Fund	no increase or decrease
BHMI Fund	no increase or decrease
QSCB Fund	\$ 2,279,970

BUDGETARY HIGHLIGHTS

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

- **General Fund**
Revenues: The budget was amended to reflect less local and state revenues collected.
Expenditures: The expenditure budget was amended to reflect the effect of fewer revenues.
- **Title I Fund**
Revenues: The budget was amended to reflect an increase in federal revenues collected.
Expenditures: The expenditure budget was amended to reflect the effect of additional revenues.
- **EHA Part B Fund**
Revenues: The budget was amended to reflect less federal revenues collected.
Expenditures: The expenditure budget was amended to reflect the effect of fewer revenues.
- **ARRA - EHA Part B Fund**
Revenues: The budget was amended to reflect less federal revenues collected.
Expenditures: The expenditure budget was amended to reflect the effect of fewer revenues.
- **BHMI Fund**
Revenues: The budget was amended to reflect less federal revenues collected.
Expenditures: The expenditure budget was amended to reflect the effect of fewer revenues.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$15,215,384, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$640,137 from 2010. Total accumulated depreciation as of June 30, 2011, was \$5,668,237, and total depreciation expense for the year was \$318,086, resulting in total net capital assets of \$9,547,147.

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 203,036	\$ 203,036	0.00%
Construction in progress	-	392,601	N/A
Buildings	8,611,701	7,895,841	9.07%
Improvements other than buildings	393,399	414,162	-5.01%
Mobile equipment	294,313	249,373	18.02%
Furniture and equipment	44,698	70,083	-36.22%
Total	<u>\$ 9,547,147</u>	<u>\$ 9,225,096</u>	3.49%

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

Debt Administration. At June 30, 2011, the District had \$5,402,292 in outstanding long-term debt, of which \$253,864 is due within one year. The liability for compensated absences decreased \$4,261 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 2,415,000	\$ 2,575,000	-6.21%
Three mill notes payable	442,888	492,777	-10.12%
Transportation equipment loans payable	169,360	200,000	-15.32%
Obligations under capital leases	-	14,024	N/A
Qualified school construction bonds payable	2,280,000	-	N/A
Compensated absences payable	95,044	99,305	-4.29%
Total	<u>\$ 5,402,292</u>	<u>\$ 3,381,106</u>	59.78%

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

**BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Issues

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and an internal financial control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2010-2011 year increased by 1.80% to 1,220 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report, contact the Superintendent's Office of the Booneville School District, 201 N First St., Booneville, MS 38829

BOONEVILLE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,220,552
Due from other governments	293,098
Other receivables, net	75
Inventories	19,364
Prepaid items	5,945
Deferred debt issuance costs	22,990
Capital assets, non-depreciable:	
Land	203,036
Capital assets, net of accumulated depreciation:	
Buildings	8,611,701
Building improvements	
Improvements other than buildings	393,399
Mobile equipment	294,313
Furniture and equipment	44,698
Total assets	<u>15,109,171</u>
Liabilities	
Accounts payable and accrued liabilities	20,945
Unearned revenue	2,706
Interest payable on long-term liabilities	28,199
Long-term liabilities, due within one year:	
Capital related liabilities	253,864
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,773,384
Non-capital related liabilities	2,375,044
Total liabilities	<u>5,454,142</u>
Net Assets	
Invested in capital assets, net of related debt	6,519,899
Restricted for:	
Expendable:	
School based activities	335,001
Debt service	304,599
Capital improvements	119,152
Unemployment benefits	24,131
Unrestricted	<u>2,352,247</u>
Total net assets	<u>\$ 9,655,029</u>

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

BOONEVILLE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					Governmental Activities
Instruction	\$ 6,482,344	459,351	1,050,364	-	(4,972,629)
Support services	3,335,794	-	810,509	-	(2,525,285)
Noninstructional services	525,057	122,927	320,802	-	(81,328)
Interest on long-term debt	145,898	-	-	-	(145,898)
Total governmental activities	\$ 10,489,093	582,278	2,181,675	-	(7,725,140)
General Revenues:					
Taxes:					
General purpose levies					1,508,279
Debt purpose levies					373,451
Unrestricted grants and contributions:					
State					5,441,474
Federal					406,619
Unrestricted investment earnings					13,546
Other					27,321
Total general revenues					7,770,690
Change in net assets					45,550
Net assets - beginning					9,609,479
Net assets - ending					\$ 9,655,029

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

BOONEVILLE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2011

Exhibit C

Major Funds

	General Fund	EHA				ARRA		BHMI Fund	QSCB Fund	Other Governmental Funds	Total
		Title I Fund	Part B Fund	EHA Part B Fund	ARRA Fund						
Assets											
Cash and cash equivalents	\$ 2,179,089	-	-	-	-	-	-	2,279,970	761,493	5,220,552	
Due from other governments	78,416	31,862	34,047	19,794	48,446	-	-	-	25,812	238,377	
Due from other funds	154,405	-	-	-	-	-	-	-	-	154,405	
Inventories	-	-	-	-	-	-	-	-	19,364	19,364	
Prepaid items	350	-	-	-	5,595	-	-	-	-	5,945	
Total Assets	2,412,260	31,862	34,047	19,794	54,041	2,279,970	806,669	5,638,643			
Liabilities and Fund Balances											
Liabilities:											
Accounts payable and accrued liabilities	19,660	-	-	-	731	-	-	-	553	20,944	
Due to other funds	-	31,862	34,047	19,794	53,310	-	-	-	15,317	154,330	
Unearned revenue	-	-	-	-	-	-	-	-	2,706	2,706	
Total liabilities	19,660	31,862	34,047	19,794	54,041	-	-	-	18,576	177,980	
Fund Balances:											
Nonspendable:											
Inventory	-	-	-	-	-	-	-	-	19,364	19,364	
Prepaid items	350	-	-	-	-	-	-	-	-	350	
Restricted for:											
Capital projects	-	-	-	-	-	-	-	2,279,970	119,152	2,399,122	
Debt service funds	-	-	-	-	-	-	-	-	305,000	305,000	
Grant activities	-	-	-	-	-	-	-	-	320,446	320,446	
Unemployment benefits	-	-	-	-	-	-	-	-	24,131	24,131	
Assigned:											
Activity funds	118,285	-	-	-	-	-	-	-	-	118,285	
Unassigned:	2,273,965	-	-	-	-	-	-	-	-	2,273,965	
Total fund balances	2,392,600	-	-	-	-	2,279,970	788,093	5,460,663			
Total liabilities and fund balances	\$ 2,412,260	31,862	34,047	19,794	54,041	2,279,970	806,669	5,638,643			

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

BOONEVILLE SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds		\$ 5,460,663
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	203,036	
Buildings	13,383,048	
Improvements other than buildings	519,069	
Mobile equipment	676,742	
Furniture and equipment	433,489	
Accumulated depreciation	<u>(5,668,237)</u>	9,547,147
2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
		54,721
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(2,415,000)	
Notes payable	(612,248)	
Qualified school construction bonds	(2,280,000)	
Compensated absences	(95,044)	
Unamortized charges	22,990	
Accrued interest payable	(28,199)	
Rounding	<u>(1)</u>	(5,407,502)
Net assets of governmental activities		<u><u>\$ 9,655,029</u></u>

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

BOONEVILLE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 6/30/2011

	Major Funds							Total
	General Fund	Title I Fund	EHA Part B Fund	ARRA EHA Part B Fund	BHMI Fund	QSCB Fund	Other Governmental Funds	
Revenue:								
Local sources	\$ 2,033,348	-	-	-	-	-	502,953	2,536,301
State sources	5,473,149	-	-	-	-	-	163,677	5,636,826
Federal sources	57,100	234,629	242,086	208,178	364,962	-	1,254,560	2,361,515
Total revenues	7,563,597	234,629	242,086	208,178	364,962	-	1,921,190	10,534,642
Expenditures:								
Instruction	4,873,752	194,283	119,515	193,797	-	-	948,868	6,330,215
Support services	2,378,939	40,346	118,088	14,381	364,962	30	358,519	3,275,265
Noninstructional services	68,983	-	-	-	-	-	450,887	519,870
Facilities acquisition and construction	-	-	-	-	-	-	542,117	542,117
Debt service:								
Principal	14,024	-	-	-	-	-	240,529	254,553
Interest	916	-	-	-	-	-	148,863	149,779
Other	-	-	-	-	-	-	750	750
Total expenditures	7,336,614	234,629	237,603	208,178	364,962	30	2,690,533	11,072,549
Excess of revenues over (under) expenditures	226,983	-	4,483	-	-	(30)	(769,343)	(537,907)
Other Financing Sources (Uses):								
Bonds and notes issued	-	-	-	-	-	-	2,280,000	2,280,000
Operating transfers in	8,641	-	-	-	-	-	779,840	788,481
Operating transfers out	(779,840)	-	(4,483)	-	-	-	(4,158)	(788,481)
Total other financing sources (uses)	(771,199)	-	(4,483)	-	-	-	775,682	2,280,000

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

BOONEVILLE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
6/30/2011

	Major Funds						Other Governmental Funds	Total
	General Fund	Title I Fund	EHA Part B Fund	ARRA EHA Part B Fund	BHMI Fund	QSCB Fund		
Net change in fund balances	(544,216)	-	-	-	-	2,279,970	6,339	1,742,093
Fund Balances:								
July 1, 2010	2,936,816	-	-	-	-	-	780,951	3,717,767
Increase (decrease) in reserve for inventory	-	-	-	-	-	-	803	803
June 30, 2011	\$ 2,392,600	-	-	-	-	2,279,970	788,093	5,460,663

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, 2011

Net change in fund balances - total governmental funds \$ 1,742,093

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 640,137	
Depreciation expense	<u>(318,086)</u>	322,051

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(2,280,000)	
Payments of debt principal	254,553	
Accrued interest payable	<u>3,883</u>	(2,021,564)

3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	4,261	
Change in inventory reserve	803	
Amortization of deferred charges, premiums and discounts	(2,092)	
Rounding error	<u>(2)</u>	2,970

Change in net assets of governmental activities \$ 45,550

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

BOONEVILLE SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 388,825</u>
Total assets	<u>388,825</u>
Liabilities	
Accounts payable and accrued liabilities	348,746
Due to other funds	75
Due to student clubs	<u>40,004</u>
Total liabilities	<u>\$ 388,825</u>

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

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statements No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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 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.

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

C. Government-wide and Fund Financial Statements

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

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

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund – This fund accounts for the revenues and expenditures of providing this program of learning.

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

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

BHMI Fund – This fund is used to account for the federal revenues and expenditures of the Booneville Healthy Marriage Initiative program.

QSCB Fund – This fund is used to account for resources to be used for the reroofing and HVAC replacement projects.

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

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

The District's fiduciary funds include the following:

Activity Agency Fund – This fund is used to account for revenues and expenditures of various student clubs in the district.

Accounts Payable Clearing – This fund is used to account for the district's claims payable and the payment of those claims.

Payroll Clearing – This fund is used to account for salaries and related salary expenditures payable and the payment of those payables.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

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

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measureable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities, and net assets/fund balances

(1) Cash, Cash equivalents and Investments

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

(2) Receivables and payables

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

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

(3) Due from Other Governments

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

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

(4) Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not generally reported for governmental fund types. The amount recorded as prepaid in BHMI Fund is prepaid rent.

(5) Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

Depreciation is calculated on the straight-line basis for all assets, except land.

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(5) Capital Assets (Continued)

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

(6) Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(7) Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

(8) Fund balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the Board. However, there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the Board of Education.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 2 - 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 pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by the Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,220,552 and \$388,825, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$5,220,552. The bank balance was \$6,004,058.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$6,004,058 was exposed to custodial credit risk.

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 3 - Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Title I	\$ 31,862
	ARRA Part B	19,794
	EHA Part B Fund	34,047
	BHMI Fund	53,310
	Other governmental funds	15,317
	Fiduciary funds	75
Total funds		<u>\$ 154,405</u>

Temporary loans of \$154,330 were made until funds are received from grantors. The fiduciary funds payable resulted from interest earned but not transferred to the general fund.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 779,840
EHA Part B Fund	General	4,483
Other governmental funds	General	4,158
Total funds		<u>\$ 788,481</u>

\$779,840 was transferred out of General Fund for support of other funds. \$8,641 was transferred to General Funds for indirect cost.

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 4 - Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
<u>Non-depreciable capital assets:</u>				
Land	\$ 203,036	-	-	203,036
Construction in progress	392,601	542,117	(934,718)	-
Total non-depreciable assets	<u>595,637</u>	<u>542,117</u>	<u>(934,718)</u>	<u>203,036</u>
<u>Depreciable capital assets:</u>				
Buildings	12,448,330	-	934,718	13,383,048
Improvements other than buildings	519,069	-	-	519,069
Mobile equipment	585,767	90,975	-	676,742
Furniture and equipment	426,444	7,045	-	433,489
Total depreciable capital assets	<u>13,979,610</u>	<u>98,020</u>	<u>934,718</u>	<u>15,012,348</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,552,489	218,858	-	4,771,347
Improvements other than buildings	104,907	20,763	-	125,670
Mobile Equipment	336,394	46,035	-	382,429
Furniture and equipment	356,361	32,430	-	388,791
Total accumulated depreciation	<u>5,350,151</u>	<u>318,086</u>	<u>-</u>	<u>5,668,237</u>
Total depreciable capital assets, net	<u>8,629,459</u>	<u>(220,066)</u>	<u>934,718</u>	<u>9,344,111</u>
Governmental activities capital assets, net	<u>\$ 9,225,096</u>	<u>322,051</u>	<u>-</u>	<u>9,547,147</u>

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 161,697
Support services	150,511
Non-instructional	5,878
Total depreciation expense	\$ 318,086

Note 5 - Long-term liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. General Obligation bonds payable	\$ 2,575,000	-	160,000	2,415,000	170,000
B. Three-mill notes payable	492,777	-	49,889	442,888	52,857
C. Transportation equipment loans payable	200,000	-	30,640	169,360	31,007
D. Obligations under capital leases	14,024	-	14,024	-	-
E. Qualified school construction bonds payable	-	2,280,000	-	2,280,000	-
F. Compensated absences payable	99,305	-	4,261	95,044	-
	\$ 3,381,106	2,280,000	258,814	5,402,292	253,864

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities (Continued)

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%	07/01/02	07/01/22	3,500,000	2,415,000
				<u>\$ 3,500,000</u>	<u>2,415,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 170,000	105,661	275,661
2013	175,000	98,861	273,861
2014	185,000	91,862	276,862
2015	195,000	84,230	279,230
2016	205,000	75,845	280,845
2017-2021	1,205,000	231,300	1,436,300
2022-2023	280,000	12,600	292,600
	<u>\$ 2,415,000</u>	<u>700,359</u>	<u>3,115,359</u>

This debt will be retired from the Bond Retirement fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). 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 Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 5.32% of property assessments as of October 1, 2010.

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities (Continued)

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note	5.95%	02/19/08	09/01/17	\$ 600,000	442,888
				<u>\$ 600,000</u>	<u>442,888</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 52,857	26,352	79,209
2013	55,939	23,270	79,209
2014	59,330	19,879	79,209
2015	62,861	16,348	79,209
2016	66,601	12,608	79,209
2017-2018	145,300	13,117	158,417
	<u>\$ 442,888</u>	<u>111,574</u>	<u>554,462</u>

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

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities (Continued)

C. Transportation equipment loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation equipment loan payable, Series 2009	3.97%	11/12/09	11/7/15	\$ 200,000	169,360
				<u>\$ 200,000</u>	<u>169,360</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 31,007	7,110	38,117
2013	32,625	5,493	38,118
2014	33,920	4,197	38,117
2015	35,267	2,851	38,118
2016	36,541	1,451	37,992
	<u>\$ 169,360</u>	<u>21,102</u>	<u>190,462</u>

This debt will be retired from the EEF Building and Buses Fund.

The EEF Building and Buses revenue has been pledged for this debt. On October 13, 2009, the Booneville School District pledged EEF Building and Buses revenue of \$38,118 annually for the payment of the Transportation Equipment loans payable to First American National Bank. The debt was issued for the purpose of purchasing and paying for transportation equipment, establishing, erecting and equipping school bus shops and garages and purchasing the land and buildings for the school district. The commitment began with the 2009-2010 school year and ends with the 2015-2016 school year. The revenue from the state varies from year to year. For the year 2010-2011, the revenue was \$39,021, of which \$38,122 was used for payment of debt.

D. Obligations under capital leases

This debt was paid off during the current year.

E. Qualified school construction bonds payable

As more fully explained in Note 9, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

**Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities (Continued)

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificate, Series					
2010	5.75%	6/30/11	12/1/26	\$ 2,280,000	\$ 2,280,000
Total				<u>\$ 2,280,000</u>	<u>2,280,000</u>

F. Compensated absences payable

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

Note 6 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$712,416, \$743,220, and \$717,790, respectively, which equaled the required contributions for each year.

Note 7 - Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

As of June 30, 2011, the single audit performed on these federal grants disclosed a significant deficiency finding reported in the Schedule of Findings and Questioned Costs. Any disallowance by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 9 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 9 – Qualified School Construction Bonds (Continued)

Year Ending June 30	Amount
2012	\$ -
2013	152,000
2014	152,000
2015	152,000
2016	152,000
2017-2021	760,000
2022-2026	760,000
Thereafter	152,000
Total	<u>\$ 2,280,000</u>

The EEF Building and Buses revenue has been pledged for this debt.

On March 8, 2011, the Booneville School Board pledged its EEF Building and Buses revenue of \$39,021 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding.

The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment will begin with the 2011-2012 school year and end with the 2024-2025 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the year 2010-2011, the EEF revenue was \$39,021. All of these funds were applied to the debt payment of a currently outstanding debt obligation.

Note 10 – 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, Baldwin School District and Prentiss County 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 the Financial Statements
For the Year Ended June 30, 2011

Note 10 - Alternative School Consortium (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2011

Revenues	
Local sources	
Tuition from other LEA's within the state:	
Baldwyn School District	\$ 98,302
Prentiss County School District	108,755
Total tuition from other LEA's within the state	<u>207,057</u>
Other local sources	526
Total revenues	<u>207,583</u>
Expenditures	
Salaries	279,743
Employee benefits	83,961
Purchased property services	14,945
Other purchased services	352
Supplies	4,105
Property	857
Total expenditures	<u>383,963</u>
Excess (deficiency) of revenues over expenditures	<u>(176,380)</u>
Other Financial Sources (Uses)	
Operating transfers in	96,075
Total financing sources (uses)	<u>96,075</u>
Net change in fund balance	<u>(80,305)</u>
Fund Balance:	
July 1, 2010	159,905
June 30, 2011	<u>\$ 79,600</u>

Note 11 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 1, 1984, creating the Prentiss County Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. 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.

Booneville School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 11 - Vocational School Consortium (Continued)

The Prentiss County School District has been designated as the fiscal agent for the Prentiss County Vocational Center, and the operations of the consortium are included in its financial statements.

Note 12 - Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Booneville School District evaluated the activity of the district through May 18, 2012 (the date the financial statements were available to be issued), and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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Booneville School District
Budgetary Comparison for the General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ 2,266,075	2,033,348	2,033,348	(232,727)	-
State sources	5,732,676	5,473,149	5,473,149	(259,527)	-
Federal sources	28,000	57,100	57,100	29,100	-
Total revenues	8,026,751	7,563,597	7,563,597	(463,154)	-
Expenditures:					
Instruction	5,741,423	4,873,752	4,873,752	867,671	-
Support services	2,456,168	2,378,939	2,378,939	77,229	-
Noninstructional services	127,410	68,983	68,983	58,427	-
Debt Service:					
Principal	-	14,024	14,024	(14,024)	-
Interest	-	916	916	(916)	-
Total expenditures	8,325,001	7,336,614	7,336,614	988,387	-
Excess (deficiency) of revenues over expenditures	(298,250)	226,983	226,983	525,233	-
Other Financing Sources (Uses):					
Operating transfers in	3,500	123,121	8,641	119,621	(114,480)
Operating transfers out	(104,500)	(894,320)	(779,840)	(789,820)	114,480
Total other financing sources (uses)	(101,000)	(771,199)	(771,199)	(670,199)	-
Net change in fund balance	(399,250)	(544,216)	(544,216)	(144,966)	-
Fund Balance:					
July 1, 2010	2,936,816	2,936,816	2,936,816	-	-
June 30, 2011	\$ 2,537,566	2,392,600	2,392,600	(144,966)	-

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

Booneville School District
Budgetary Comparison for the Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 224,621	234,629	234,629	10,008	-
Total revenues	224,621	234,629	234,629	10,008	-
Expenditures:					
Instruction	179,717	194,283	194,283	(14,566)	-
Support services	44,404	40,346	40,346	4,058	-
Noninstructional services	500	-	-	500	-
Total expenditures	224,621	234,629	234,629	(10,008)	-
Net change in fund balance	-	-	-	-	-
Fund Balance:					
July 1, 2010	250	-	-	(250)	-
June 30, 2011	\$ 250	-	-	(250)	-

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

Booneville School District
Budgetary Comparison Schedule for EHA Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 264,270	242,086	242,086	(22,184)	-
Total revenues	264,270	242,086	242,086	(22,184)	-
Expenditures:					
Instruction	115,115	119,515	119,515	(4,400)	-
Support services	144,722	118,088	118,088	26,634	-
Noninstructional services	1,000	-	-	1,000	-
Total expenditures	260,837	237,603	237,603	23,234	-
Excess (deficiency) of revenues over expenditures	3,433	4,483	4,483	1,050	-
Other Financing Sources (Uses):					
Transfers out	(4,629)	(4,483)	(4,483)	146	-
Total other financing sources (uses)	(4,629)	(4,483)	(4,483)	146	-
Net change in fund balance	(1,196)	-	-	1,196	-
Fund Balance:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ (1,196)	-	-	1,196	-

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

Booneville School District
Budgetary Comparison Schedule for ARRA - EHA Part B
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Federal sources	\$ 264,580	208,178	208,178	(56,402)	-
Total revenues	264,580	208,178	208,178	(56,402)	-
Expenditures:					
Instruction	284,054	193,797	193,797	90,257	-
Support services	-	14,381	14,381	(14,381)	-
Total expenditures	284,054	208,178	208,178	75,876	-
Net change in fund balance	(19,474)	-	-	19,474	-
Fund Balance:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ (19,474)	-	-	19,474	-

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

Booneville School District
Budgetary Comparison Schedule for BHMI
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 532,675	364,962	364,962	(167,713)	-
Total revenues	<u>532,675</u>	<u>364,962</u>	<u>364,962</u>	<u>(167,713)</u>	<u>-</u>
Expenditures:					
Support services	532,675	364,962	364,962	167,713	-
Total expenditures	<u>532,675</u>	<u>364,962</u>	<u>364,962</u>	<u>167,713</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund Balance:					
July 1, 2010	-	-	-	-	-
June 30, 2011	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Booneville School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

1) Basis of Presentation

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

2) Budget Amendments and Revisions

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

BOONEVILLE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 87,931
National school lunch program	10.555	269,804
Total Child Nutrition Cluster		<u>357,735</u>
Total Passed-through Mississippi Department of Education		<u>357,735</u>
Total U.S. Department of Agriculture		<u>357,735</u>
Federal Communications Commission		
Passed-through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	21,404
Total Federal Communications Commission		<u>21,404</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and and communities - state grants	84.186	1,204
Education technology state grants	84.318	1,690
Rural education	84.358	38,195
Improving teacher quality - state grants	84.367	49,908
ARRA-State fiscal stabilization fund, education state grants, Recovery Act	84.394	349,519
Education jobs fund	84.410	261,000
Total		<u>701,516</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	234,629
ARRA-Title I grants to local education agencies, Recovery Act	84.389	15,398
Total Title I cluster		<u>250,027</u>
Special Education Cluster		
Special education - grants to states	84.027	242,086
Special education - preschool grants	84.173	20,385
ARRA-special education-grants to states, Recovery Act	84.391	208,178
ARRA-special education-preschool grants, Recovery Act	34.392	20,787
Total Special Education Cluster		<u>491,436</u>
Total Passed-through Mississippi Department of Education		<u>1,442,979</u>
Total U.S. Department of Education		<u>1,442,979</u>
U.S. Department of Health and Human Services		
Direct:		
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	503,700
Total U.S. Department of Health and Human Services		<u>503,700</u>
Total for All Federal Awards		<u>\$ 2,325,818</u>

BOONEVILLE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

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.

Booneville School District
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds
June 30, 2011

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 7,963,147	6,308,162	500,737	515,388	638,860
Other	3,109,402	1,036,754	110,819	21,466	1,940,363
Total	\$ 11,072,549	7,344,916	611,556	536,854	2,579,223
Total Number of Students *	1,242				
Cost per Student	\$ 8,915	5,914	492	432	2,077

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration; Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

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

Booneville School District
Statement of Revenues, Expenditures and Changes in Fund Balances-
General Fund
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,033,348	\$ 1,804,872	\$ 1,927,805	\$ 2,168,563
State sources	5,473,149	5,838,554	6,398,844	6,793,566
Federal sources	57,100	51,651	55,952	56,448
Total revenues	<u>7,563,597</u>	<u>7,695,077</u>	<u>8,382,601</u>	<u>9,018,577</u>
Expenditures:				
Instruction	4,873,752	5,237,727	5,768,177	5,792,534
Support services	2,378,939	2,506,697	2,506,350	2,480,075
Noninstructional services	68,983	66,970	72,467	98,640
Debt Service:				
Principal	14,024	13,090	14,785	3,256
Interest	916	1,850	155	-
Total expenditures	<u>7,336,614</u>	<u>7,826,334</u>	<u>8,361,934</u>	<u>8,374,505</u>
Excess (deficiency) of revenues over(under) expenditures	<u>226,983</u>	<u>(131,257)</u>	<u>20,667</u>	<u>644,072</u>
Other Financing Sources (Uses):				
Inception of capital leases	-	-	41,899	-
Operating transfers in	8,641	11,289	3,657	2,133
Operating transfers out	(779,840)	(23,866)	(28,252)	(151)
Other financing uses	-	(300,000)	(300,000)	(400,000)
Total other financing sources	<u>(771,199)</u>	<u>(312,577)</u>	<u>(282,696)</u>	<u>(398,018)</u>
Net change in fund balance	<u>(544,216)</u>	<u>(443,834)</u>	<u>(262,029)</u>	<u>246,054</u>
Fund balance:				
Beginning of period	<u>2,936,816</u>	<u>3,380,650</u>	<u>3,642,679</u>	<u>3,396,625</u>
End of period	<u>\$ 2,392,600</u>	<u>\$ 2,936,816</u>	<u>\$ 3,380,650</u>	<u>\$ 3,642,679</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

Booneville School District
Statement of Revenues, Expenditures and Changes in Fund Balances-
All Governmental Funds
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,536,301	2,216,826	2,383,520	2,694,847
State sources	5,636,826	5,979,063	6,563,050	6,971,316
Federal sources	2,361,515	2,068,709	1,473,025	1,542,368
Total revenues	<u>10,534,642</u>	<u>10,264,598</u>	<u>10,419,595</u>	<u>11,208,531</u>
Expenditures:				
Instruction	6,330,215	6,333,092	6,269,801	6,269,141
Support services	3,275,265	3,304,394	3,331,866	3,345,365
Noninstructional services	519,870	484,822	504,763	547,657
Facilities acquisition and construction	542,117	392,601	10,000	93,040
Debt Service:				
Principal	254,553	258,576	261,162	413,762
Interest	149,779	154,841	149,955	152,202
Other	750	750	750	-
Total expenditures	<u>11,072,549</u>	<u>10,929,076</u>	<u>10,528,297</u>	<u>10,821,167</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(537,907)</u>	<u>(664,478)</u>	<u>(108,702)</u>	<u>387,364</u>
Other Financing Sources (Uses):				
Proceeds of loans	2,280,000	200,000	-	600,000
Inception of capital leases	-	-	41,899	-
Operating transfers in	788,481	35,155	31,909	2,284
Operating transfers out	(788,481)	(35,155)	(31,909)	(2,284)
Other financing uses	-	(300,000)	(300,000)	(400,000)
Total other financing sources	<u>2,280,000</u>	<u>(100,000)</u>	<u>(258,101)</u>	<u>200,000</u>
Net change in fund balances	<u>1,742,093</u>	<u>(764,478)</u>	<u>(366,803)</u>	<u>587,364</u>
Fund balances:				
Beginning of period	3,717,767	4,483,651	4,850,420	4,266,535
Increase(decrease) in reserve for inventory	803	(1,406)	34	(3,479)
End of period	<u>\$ 5,460,663</u>	<u>3,717,767</u>	<u>4,483,651</u>	<u>4,850,420</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

Superintendent and School Board
Booneville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Booneville School District as of and for the year ended June 30, 2011, which collectively comprise Booneville School District's basic financial statements and have issued our report thereon dated May 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Booneville School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1 to be a material weakness..

Compliance and Other Matters

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

Booneville School District's responses to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Booneville School District's response and accordingly, we express no opinion on them.

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

Brewer, Versteeg & Co. P.A.

May 18, 2012
Booneville, Mississippi



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

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 (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Booneville School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Booneville School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of the Booneville School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Booneville School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2 and 2011-3. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Booneville School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Booneville School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Parsons, Venable & Co. P.A.

May 18, 2012
Booneville, Mississippi



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INDEPENDENT AUDITOR'S 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, 2011, which collectively comprise Booneville School District's basic financial statements and have issued our report thereon dated May 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$45,669 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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 and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Browner, Venetony & Co. P.A

May 18, 2012

Booneville, Mississippi

**Booneville School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes
 - b. Significant deficiency(ies) identified? None Reported
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? Yes
5. Type of auditor's report issued on compliance for major programs: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? Yes
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.394	ARRA State Stabilization Fund
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No

**Booneville School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section 2: Financial Statement Findings

Significant Deficiency Considered to be a Material Weakness

Finding 2011-1

Condition: Accounting duties performed by the Business Manager and the Payroll Clerk are not adequately segregated. During our audit, we noted that the Business Manager prepares receipts, makes and posts journal entries, records transactions, and reconciles the bank statements. The Payroll Clerk enters and reviews payroll transactions, prepares paychecks, prepares payroll reports, and reconciles the payroll bank statements. The Payroll Clerk and Accounts Payable Clerk sign checks with the Superintendent's signature stamp.

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

Cause: The school district has a limited number of accounting personnel.

Effect: The lack of proper segregation of duties creates an opportunity for misappropriation of assets and subsequent concealment.

Recommendation: We recommend that the district strengthen its internal controls by segregating incompatible accounting functions and limiting the use of the signature stamp to the Superintendent or his designee.

Response:

At the end of each month, the Business Manager will reconcile the payroll bank account and the payroll employee will reconcile all the non-payroll bank accounts that have been maintained by the Business Manager. A signature page with the Business Manager, the Payroll employee and the Superintendent, as oversight, will accompany the bank reconciliations for verification of the reconciliation process and the party responsible for the reconciliation.

The payroll employee will provide a printout to the Superintendent along with the check stubs for the district employees each month. The Superintendent will verify the correct amount on the check and stubs and approve the correctness of the respective month's payroll.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies not Considered to be Material Weaknesses

Finding 2011-2

Program: Passed through Mississippi Department of Health and Human Services:
Healthy Marriage Promotion and Responsible Fatherhood Grants
CFDA #93.086

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The school district's internal control procedures were inadequate to prevent or detect errors in calculating payroll supplements from federal programs. In addition, the school district did not properly document board approval of all payroll expenditures. During the audit, we noted that three employees were paid more than budgeted from the Healthy Marriage grant. This resulted in a total overpayment of \$3,000. We also noted that there was no documentation in the current year's minutes of board approval for the supplements received by these same three employees.

Criteria: Management is responsible for implementing proper controls over payroll expenditures and for documenting board approval of payroll expenditures.

Cause: The district's internal control procedures did not require reading the grant to determine allowable expenditure and the review of calculations prior to the payment of these expenditures. In addition, the district's internal control procedures did not require board approval of supplemental payroll out of a federal program.

Effect: Inadequate controls over payroll expenditures increase the risk of unauthorized, inappropriate expenditures being made.

Recommendation: We recommend that the district require periodic reviews of payroll expenditures. We also recommend that supplemental payroll be approved by the school board and documented in the minutes.

Finding 2011-3

Program: Passed through Mississippi Department of Health and Human Services:
Healthy Marriage Promotion and Responsible Fatherhood Grants
CFDA #93.086

Compliance Requirement: Reporting

Condition: Internal controls were not in place to prevent or detect error in reporting expenditures of a federal grant. During our audit, we noted that the expenditures posted in the general ledger did not agree with the expenditures submitted on quarterly reports. This resulted in expenditures being under reported in one grant period and over reported in another.

Criteria: Management is responsible for implementing proper controls over the reporting of grant expenditures.

Cause: The district's internal control procedures did not require the verification and review of expenditures prior to submitting the quarterly report.

Effect: Inadequate controls over reporting increase the risk of reporting incorrect expenditure totals.

Recommendation: We recommend that controls be strengthened to include verification and review of all expenditures prior to completing and submitting reports.

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AUDITEE'S CORRECTIVE ACTION PLAN

As required 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 findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011:

Finding 2011-2 Corrective Action Plan Details

a. Contact Person: Todd English
Superintendent 662-728-2171

b. All supplements will be Board approved prior to the beginning of the fiscal year. Non-coaching supplements will be approved along with the coaching supplements at the meeting. The approval of the supplements will generally be in May, but recently it has been necessary to approve supplement in June due to the legislature not passing a budget expeditiously. Approved supplements will be for additional work beyond the normal job requirements.

c. Implemented in March, 2012.

Finding 2011-3 Corrective Action Plan Details

a. Contact Person: Todd English
Superintendent 662-728-2171

b. Reporting for federal programs will be reviewed before being submitted.

c. Implemented in March 2012.

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Summary of Prior Audit Findings

Prior Audit Findings:

As required by Section ____ .315 (c) of OMB Circular A-133, the Booneville School District has prepared and hereby submits the following status of findings as of June 30, 2011:

FINDING:	STATUS
2010-4	Corrections were not implemented during this audit period due to a change in administration.