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BROOKHAVEN SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

BROOKHAVEN SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Brookhaven School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookhaven School District as of and for the year ended June 30, 2011, which collectively comprise the Brookhaven School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Brookhaven 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 Brookhaven 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 April 23, 2012, on our consideration of the Brookhaven 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 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 supplemental 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 Brookhaven 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 Brookhaven School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

April 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Brookhaven School District

P.O. Box 540

Brookhaven, Mississippi 39602-0540



Deputy Superintendent

James V. Tillman, Ed.S.

Director of Instructional Programs

Federal Programs Coordinator

Marsha F. Bond

Director of Assessment and Accountability

Stephanie Henderson, Ed.S.

Finance Director

Susan Quinn, CPA

Lisa Karmacharya, Ed. D.
Superintendent

The following discussion and analysis of Brookhaven 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 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 \$2,381,324, which represents an 11% increase from fiscal year 2010. Total net assets for 2010 increased \$2,190,222, which represents a 12% increase from fiscal year 2009.
- General revenues amounted to \$22,544,179 and \$22,750,637, or 78% and 79% 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 \$6,315,852, or 22% of total revenues for 2011, and \$6,167,328, or 21% of total revenues for 2010.
- The District had \$26,478,707 and \$26,727,743 in expenses for fiscal years 2011 and 2010; only \$6,315,852 for 2011 and \$6,167,328 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,544,179 for 2011 and \$22,750,637 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,253,385 in revenues and \$17,890,478 in expenditures for 2011, and \$19,393,286 in revenues and \$18,501,108 in expenditures in 2010. The General Fund's fund balance increased by \$1,930,941, net of a decrease in reserve for inventory of \$597, from 2010 to 2011, and increased by \$801,739, which included an increase in reserve for inventory of \$1,727, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$590,182 for 2011 and decreased by \$245,098 for 2010. The decrease for 2011 was due primarily to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including deferred charges and premiums, decreased by \$153,435 for 2011 and decreased by \$114,990 for 2010. The decrease for 2011 was due primarily to principal payments on outstanding long-term debt. However, the district received proceeds from a shortfall note in the amount of \$807,784. The liability for compensated absences decreased by \$5,501 for 2011 and increased by \$4,106 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 supplemental information, supplemental information, and other information.

BROOKHAVEN 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 differences 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 its 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 periods.

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

Fund Financial Statements

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

Governmental funds – 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.

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

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

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 Supplemental Information

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

Supplemental Information

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

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues,

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

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.

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 \$23,313,115 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	\$ 10,272,246	\$ 8,398,111	22.32 %
Restricted assets	5,345,138	4,279,930	24.89 %
Capital assets, net	16,347,628	16,937,810	(3.48) %
Total assets	<u>31,965,012</u>	<u>29,615,851</u>	7.93 %
Current liabilities	899,366	778,094	15.59 %
Long-term debt outstanding	7,752,531	7,905,966	(1.94) %
Total liabilities	<u>8,651,897</u>	<u>8,684,060</u>	(0.37) %
Net assets:			
Invested in capital assets, net of related debt	11,111,907	11,121,200	(0.08) %
Restricted	8,084,997	6,996,211	15.56 %
Unrestricted	4,116,211	2,814,380	46.26 %
Total net assets	<u>\$ 23,313,115</u>	<u>\$ 20,931,791</u>	11.38 %

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

- Decrease in net capital assets in the amount of \$590,182.
- The principal retirement of \$964,829 of long-term debt.
- Proceeds from the issuance of a shortfall note in the amount of \$807,784.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were

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

\$28,860,031 and \$28,917,965, respectively. The total cost of all programs and services was \$26,478,707 for 2011 and \$26,727,743 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	\$ 1,031,812	\$ 948,412	8.79 %
Operating grants and contributions	5,284,040	5,218,916	1.25 %
General revenues:			
Property taxes	7,929,772	8,508,018	(6.80) %
Grants and contributions not restricted	12,599,772	12,638,106	(0.30) %
Investment earnings	382,531	311,581	22.77 %
Sixteenth section sources	1,566,187	1,205,925	29.87 %
Other	65,917	87,007	(24.24) %
Total revenues	<u>28,860,031</u>	<u>28,917,965</u>	(0.20) %
Expenses:			
Instruction	14,395,676	15,081,006	(4.54) %
Support services	9,560,166	9,129,828	4.71 %
Non-instructional	1,881,776	1,921,092	(2.05) %
Sixteenth section	324,148	269,875	20.11 %
Interest and other expenses on long-term liabilities	316,941	325,942	(2.76) %
Total expenses	<u>26,478,707</u>	<u>26,727,743</u>	(0.93) %
Increase (Decrease) in net assets	<u>2,381,324</u>	<u>2,190,222</u>	8.73 %
Net Assets, July 1	<u>20,931,791</u>	<u>18,741,569</u>	11.69 %
Net Assets, June 30	<u>\$ 23,313,115</u>	<u>\$ 20,931,791</u>	11.38 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 14,395,676	\$ 15,081,006	(4.54) %
Support services	9,560,166	9,129,828	4.71 %
Non-instructional	1,881,776	1,921,092	(2.05) %
Sixteenth section	324,148	269,875	20.11 %
Interest on long-term liabilities	316,941	325,942	(2.76) %
Total expenses	\$ 26,478,707	\$ 26,727,743	(0.93) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (10,894,771)	\$ (11,683,993)	(6.75) %
Support services	(8,382,031)	(7,974,138)	5.12 %
Non-instructional	(311,015)	(313,828)	(0.90) %
Sixteenth section	(258,097)	(262,514)	(1.68) %
Interest on long-term liabilities	(316,941)	(325,942)	(2.76) %
Total net (expense) revenue	\$ (20,162,855)	\$ (20,560,415)	(1.93) %

- Net cost of governmental activities (\$20,162,855 for 2011 and \$20,560,415 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$7,929,772 for 2011 and \$8,508,018 for 2010) and state and federal revenues (\$12,599,772 for 2011 and \$12,638,106 for 2010). In addition, there was \$1,566,187 and \$1,205,925 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$382,531 for 2011 and \$311,581 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 assessing 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 \$14,742,721, an increase of \$2,832,427, which includes an increase in reserve for inventory of \$20,008. \$6,454,843, or 44%, 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 \$8,287,878, or 56%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for

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

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 increase in fund balance in the General Fund for the fiscal year was \$1,930,941, net of a decrease in reserve for inventory of \$597. This increase in fund balance is due primarily to the district's conservative approach to budgeting and spending during the fiscal year. The fund balance of Other Governmental Funds showed a decrease in the amount of \$143,116, net of an increase in reserve for inventory of \$20,605. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$	1,044,602

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. Significant budget revisions made during the fiscal year are explained as follows:

- Budgeted amounts for revenue from local sources in the General Fund were decreased during the fiscal year due primarily to a decrease in advalorem receipts.
- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately \$768,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and Jobs Ed Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the actual federal revenue received and expenditures incurred in the Budget Stabilization Fund and Jobs Ed Fund.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funding were revised during the fiscal year to reflect actual revenue received and expenditures incurred during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$24,897,253, including land, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross decrease of \$238,807 from 2010 due primarily to the disposal of various items of mobile equipment and furniture and equipment. The District also purchased two new school buses and other items of mobile equipment and furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2011, was \$8,549,625, and total

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

depreciation expense for the year was \$725,760, resulting in total net capital assets of \$16,347,628.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 174,115	\$ 174,115	0.00 %
Buildings	14,398,031	14,765,250	(2.49) %
Building improvements	245,277	263,403	(6.88) %
Improvements other than buildings	299,009	314,589	(4.95) %
Mobile equipment	1,041,675	1,080,096	(3.56) %
Furniture and equipment	189,521	340,357	(44.32) %
Total	<u>\$ 16,347,628</u>	<u>\$ 16,937,810</u>	(3.48) %

Debt Administration. At June 30, 2011, the District had \$7,816,310 in outstanding long-term debt, of which \$1,272,277 is due within one year. During the fiscal year, the District made principal payments in the amount of \$964,829 on outstanding long-term debt. The District also received proceeds from the issuance of a shortfall note in the amount of \$807,784. The liability for compensated absences decreased \$5,501 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	\$ 4,962,000	\$ 5,517,000	(10.06) %
Three mill notes payable	1,350,000	1,490,000	(9.40) %
Shortfall notes payable	1,301,830	763,875	70.42 %
Compensated absences payable	202,480	207,981	(2.64) %
Subtotal	7,816,310	7,978,856	(2.04) %
Less: Deferred charges	(63,779)	(72,890)	(12.50) %
Total	<u>\$ 7,752,531</u>	<u>\$ 7,905,966</u>	(1.94) %

CURRENT ISSUES

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Brookhaven School District, P. O. Box 540, Brookhaven, MS 39602.

FINANCIAL STATEMENTS

BROOKHAVEN SCHOOL DISTRICT

Statement of Net Assets

Exhibit A

June 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,414,899
Due from other governments	669,560
Other receivables, net	1,035,275
Inventories	66,610
Prepaid items	15,516
Deferred debt issuance costs	70,386
Restricted assets	5,345,138
Capital assets, non-depreciable:	
Land	174,115
Capital assets, net of accumulated depreciation:	
Buildings	14,398,031
Building improvements	245,277
Improvements other than buildings	299,009
Mobile equipment	1,041,675
Furniture and equipment	189,521
Total Assets	<u>31,965,012</u>
Liabilities	
Accounts payable and accrued liabilities	786,652
Due to other governments	455
Unearned revenue	17,169
Interest payable on long-term liabilities	95,089
Deferred charges on refunding debt	(116,457)
Deferred bond premiums	52,678
Long-term liabilities, due within one year:	
Capital related liabilities	611,250
Non-capital related liabilities	661,027
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,688,250
Non-capital related liabilities	1,855,784
Total Liabilities	<u>8,651,897</u>
Net Assets	
Invested in capital assets, net of related debt	11,111,907
Restricted for:	
Expendable:	
School-based activities	2,255,692
Debt service	866,238
Forestry improvements	215,873
Unemployment benefits	72,983
Non-expendable:	
Sixteenth section	4,674,211
Unrestricted	4,116,211
Total Net Assets	<u>\$ 23,313,115</u>

BROOKHAVEN SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 14,395,676	\$ 622,729	\$ 2,878,176	\$ -	\$ (10,894,771)
Support services	9,560,166	7,764	1,170,371	-	(8,382,031)
Non-instructional	1,881,776	335,268	1,235,493	-	(311,015)
Sixteenth section	324,148	66,051	-	-	(258,097)
Interest on long-term liabilities	316,941	-	-	-	(316,941)
Total Governmental Activities	\$ 26,478,707	\$ 1,031,812	\$ 5,284,040	\$ -	\$ (20,162,855)

General Revenues:

Taxes:

General purpose levies

7,197,093

Debt purpose levies

732,679

Unrestricted grants and contributions:

State

11,716,158

Federal

883,614

Unrestricted investment earnings

382,531

Sixteenth section sources

1,566,187

Other

65,917

Total General Revenues

22,544,179

Change in Net Assets

2,381,324

Net Assets - Beginning

20,931,791

Net Assets - Ending

\$ 23,313,115

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

BROOKHAVEN SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 5,393,387	\$ 5,345,138	\$ 3,021,512	\$ 13,760,037
Due from other governments	276,406	-	364,687	641,093
Other receivables, net	943,302	91,973	-	1,035,275
Due from other funds	372,373	-	18,436	390,809
Inventories	13,417	-	53,193	66,610
Prepaid items	15,516	-	-	15,516
Total assets	\$ 7,014,401	\$ 5,437,111	\$ 3,457,828	\$ 15,909,340
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 422,794	\$ 263,882	\$ 99,977	\$ 786,653
Due to other funds	39	-	362,758	362,797
Unearned revenue	-	-	17,169	17,169
Total Liabilities	422,833	263,882	479,904	1,166,619
Fund Balances:				
Nonspendable:				
Inventory	13,417	-	53,193	66,610
Permanent fund principal	-	4,674,211	-	4,674,211
Prepaid items	15,516	-	-	15,516
Restricted:				
Debt service	-	-	961,327	961,327
Forestry improvement purposes	-	-	215,873	215,873
Unemployment benefits	-	-	72,983	72,983
Child Nutrition	-	-	359,154	359,154
Sixteenth section interest funds	-	-	1,233,026	1,233,026
Other commitments	-	499,018	82,368	581,386
Assigned:				
Activity funds	107,792	-	-	107,792
Unassigned				
	6,454,843	-	-	6,454,843
Total Fund Balances	6,591,568	5,173,229	2,977,924	14,742,721
Total Liabilities and Fund Balances	\$ 7,014,401	\$ 5,437,111	\$ 3,457,828	\$ 15,909,340

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

BROOKHAVEN SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011**

Exhibit C-1

Total fund balances for governmental funds \$ 14,742,721

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	\$ 174,115	
Buildings	19,621,928	
Building improvements	453,149	
Improvements other than buildings	389,513	
Mobile equipment	2,405,186	
Furniture and equipment	1,853,362	
Accumulated depreciation	<u>(8,549,625)</u>	16,347,628

2. 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	(4,962,000)	
Notes payable	(2,651,830)	
Compensated absences	(202,480)	
Unamortized charges	186,843	
Unamortized premiums	(52,678)	
Accrued interest payable	<u>(95,089)</u>	(7,777,234)

Net assets of governmental activities \$ 23,313,115

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

BROOKHAVEN SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 7,368,242	\$ -	\$ 1,771,783	\$ 9,140,025
State sources	11,716,280	-	597,571	12,313,851
Federal sources	168,863	-	5,401,099	5,569,962
Sixteenth section sources	-	1,308,484	519,945	1,828,429
Total Revenues	19,253,385	1,308,484	8,290,398	28,852,267
Expenditures:				
Instruction	10,091,019	-	3,808,502	13,899,521
Support services	7,759,110	-	1,700,638	9,459,748
Noninstructional services	40,349	-	1,869,659	1,910,008
Sixteenth section	-	263,882	60,266	324,148
Debt service:				
Principal	-	-	964,829	964,829
Interest	-	-	301,590	301,590
Other	-	-	1,940	1,940
Total Expenditures	17,890,478	263,882	8,707,424	26,861,784
Excess (Deficiency) of Revenues over (under) Expenditures	1,362,907	1,044,602	(417,026)	1,990,483
Other Financing Sources (Uses):				
Bonds and notes issued	807,784	-	-	807,784
Insurance recovery	7,764	-	-	7,764
Sale of transportation equipment	6,388	-	-	6,388
Operating transfers in	269,280	-	527,784	797,064
Operating transfers out	(522,585)	-	(274,479)	(797,064)
Total Other Financing Sources (Uses)	568,631	-	253,305	821,936
Net Change in Fund Balances	1,931,538	1,044,602	(163,721)	2,812,419
Fund Balances:				
July 1, 2010	4,660,827	4,128,827	3,121,040	11,910,294
Increase (Decrease) in reserve for inventory	(597)	-	20,605	20,008
June 30, 2011	\$ 6,591,568	\$ 5,173,229	\$ 2,977,924	\$ 14,742,721

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

BROOKHAVEN SCHOOL DISTRICT
Governmental Funds

**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**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 2,812,419**

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

1. Governmental funds report capital outlay 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	\$ 172,004	
Depreciation expense	(725,780)	(553,756)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (36,426)

3. 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	(807,784)	
Payments of debt principal	964,829	
Accrued interest payable	(4,300)	152,745

4. 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	5,501	
Change in inventory reserve	20,008	
Amortization of deferred charges, premiums and discounts	(19,167)	6,342

Change in net assets of governmental activities **\$ 2,381,324**

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

BROOKHAVEN SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 876,453
Other receivables	1,212
Due from other funds	455
Total Assets	<u>\$ 878,120</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 837,857
Due to other funds	28,467
Due to student clubs	11,796
Total Liabilities	<u>\$ 878,120</u>

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

BROOKHAVEN SCHOOL DISTRICT

Notes to the Financial Statements
For 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 Statement 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 a component unit of, the city of Brookhaven 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, Brookhaven 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

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.

BROOKHAVEN SCHOOL DISTRICT

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

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.

Sixteenth Section Principal Fund - this is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for 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.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that

BROOKHAVEN SCHOOL DISTRICT

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

support the district's programs.

FIDUCIARY FUNDS

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

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

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

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

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

BROOKHAVEN SCHOOL DISTRICT

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

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 the revenues 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.

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.

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.

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.

BROOKHAVEN SCHOOL DISTRICT

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. 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.

The following schedule details the capitalization thresholds:

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

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

BROOKHAVEN SCHOOL DISTRICT

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

7. Compensated Absences

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

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

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

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

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

9. Fund 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.

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 Business Manager pursuant to authorization established by board policy.

BROOKHAVEN SCHOOL DISTRICT

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

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.

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 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 \$13,760,037 and \$ 876,453, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$8,414,899.

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.

BROOKHAVEN SCHOOL DISTRICT

Notes to the Financial Statements
For 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	Other governmental funds	\$ 344,361
	Fiduciary funds	28,012
Other governmental funds	General Fund	39
	Other governmental funds	18,397
Fiduciary funds	Fiduciary funds	455
Total		<u>\$ 391,264</u>

The primary purpose of the interfund receivables and payables is to close out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 522,585
Other governmental funds	General Fund	269,280
	Other governmental funds	5,199
Total		<u>\$ 797,064</u>

The primary purpose of the interfund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer

Note 4 – Restricted Assets

The restricted assets represent the cash balance and cash equivalents, totaling \$ 5,345,138 respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

BROOKHAVEN SCHOOL DISTRICT

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

Note 5 – 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
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 174,115	\$	\$	\$ 174,115
Total non-depreciable capital assets	174,115	-	-	174,115
<u>Depreciable capital assets:</u>				
Buildings	19,621,928			19,621,928
Building improvements	453,149			453,149
Improvements other than buildings	389,513			389,513
Mobile equipment	2,586,948	158,063	339,825	2,405,186
Furniture and equipment	1,910,407	13,941	70,986	1,853,362
Total depreciable capital assets	24,961,945	172,004	410,811	24,723,138
<u>Less accumulated depreciation for:</u>				
Buildings	4,856,678	367,219		5,223,897
Building improvements	189,746	18,126		207,872
Improvements other than buildings	74,924	15,580		90,504
Mobile equipment	1,506,852	162,502	305,843	1,363,511
Furniture and equipment	1,570,050	162,333	68,542	1,663,841
Total accumulated depreciation	8,198,250	725,760	374,385	8,549,625
Total depreciable capital assets, net	16,763,695	(553,756)	36,426	16,173,513
Governmental activities capital assets, net	\$ 16,937,810	\$ (553,756)	\$ 36,426	\$ 16,347,628

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 500,006
Support services	219,762
Non-instructional	5,992
Total depreciation expense - Governmental activities	\$ 725,760

BROOKHAVEN SCHOOL DISTRICT

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

Note 6 – 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	\$ 5,517,000	\$	\$ 555,000	\$ 4,962,000	\$ 575,000
Add deferred amounts:					
For issuance premiums	60,204		7,526	52,678	
Less deferred amounts:					
On refunding	(133,094)		(16,637)	(116,457)	
Total	5,444,110		545,889	4,898,221	575,000
B. Three mill notes payable	1,490,000		140,000	1,350,000	145,000
C. Shortfall notes payable	763,875	807,784	269,829	1,301,830	542,153
D. Compensated absences payable	207,981		5,501	202,480	10,124
Total	\$ 7,905,966	\$ 807,784	\$ 961,219	\$ 7,752,531	\$ 1,272,277

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
1. General obligation refunding bonds, Series 2006	3.84%	1/10/2006	7/15/2016	\$ 1,116,000	\$ 662,000
2. General obligation refunding bonds, Series 2006	4.00%	10/31/2006	4/1/2019	5,345,000	4,300,000
Total				\$ 6,461,000	\$ 4,962,000

BROOKHAVEN SCHOOL DISTRICT

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

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

1. General obligation bond issue of January 10, 2006:

Year Ending June 30	Principal	Interest	Total
2012	\$ 100,000	\$ 23,501	\$ 123,501
2013	104,000	19,584	123,584
2014	109,000	15,494	124,494
2015	113,000	11,232	124,232
2016	122,000	6,720	128,720
2017	114,000	2,189	116,189
Total	\$ 662,000	\$ 78,720	\$ 740,720

A portion of this general obligation refunding bonds payable is secured by the pledge of EEF Building and Buses revenue that the district receives from the State of Mississippi. Pledged EEF funds of \$101,041 will be used to pay approximately 80% of the total annual debt service payment until the final maturity of the general obligation bonds on July 15, 2016.

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

2. General obligation bond issue of October 31, 2006:

Year Ending June 30	Principal	Interest	Total
2012	\$ 475,000	\$ 172,000	\$ 647,000
2013	495,000	153,000	648,000
2014	515,000	133,200	648,200
2015	540,000	112,600	652,600
2016	565,000	91,000	656,000
2017 – 2021	1,710,000	135,000	1,845,000
Total	\$ 4,300,000	\$ 796,800	\$ 5,096,800

This debt will be retired from the Bond Debt Service Fund (Fund 4021).

BROOKHAVEN SCHOOL DISTRICT

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 575,000	\$ 195,501	\$ 770,501
2013	599,000	172,584	771,584
2014	624,000	148,694	772,694
2015	653,000	123,832	776,832
2016	687,000	97,720	784,720
2017 – 2021	1,824,000	137,189	1,961,189
Total	\$ 4,962,000	\$ 875,520	\$ 5,837,520

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 4% of property assessments as of October 1, 2010.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax school note, Series 2008	3.57%	12/19/2008	12/19/2018	\$ 1,625,000	\$ 1,350,000
Total				\$ 1,625,000	\$ 1,350,000

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

Three mill notes payable issue of December 19, 2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 145,000	\$ 45,620	\$ 190,620
2013	155,000	40,263	195,263
2014	160,000	34,639	194,639
2015	165,000	28,836	193,836
2016	170,000	22,854	192,854
2017 – 2021	555,000	30,086	585,086
Total	\$ 1,350,000	\$ 202,298	\$ 1,552,298

BROOKHAVEN SCHOOL DISTRICT

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

This debt will be retired from the Debt Service Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue shortfall note Series 2008	3.35%	8/27/2008	8/27/2011	\$ 223,103	\$ 76,865
2. Revenue shortfall note Series 2009	4.79%	8/26/2009	8/26/2012	612,670	417,181
3. Revenue shortfall note Series 2010	2.91%	8/26/2010	8/26/2013	807,784	807,784
Total				\$ 1,643,557	\$ 1,301,830

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

1. Shortfall notes payable issue of August 27, 2008

Year Ending June 30	Principal	Interest	Total
2012	\$ 76,865	\$ 2,611	\$ 79,476
Total	\$ 76,865	\$ 2,611	\$ 79,476

This debt will be retired from the Shortfall Loan Fund.

2. Shortfall notes payable issue of August 26, 2009.

Year Ending June 30	Principal	Interest	Total
2012	\$ 203,712	\$ 19,983	\$ 223,695
2013	213,469	10,225	223,694
Total	\$ 417,181	\$ 30,208	\$ 447,389

This debt will be retired from the Shortfall Loan Fund.

BROOKHAVEN SCHOOL DISTRICT

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

3. Shortfall notes payable issue of August 26, 2010.

Year Ending June 30	Principal	Interest	Total
2012	\$ 261,576	\$ 23,507	\$ 285,083
2013	269,188	15,895	285,083
2014	277,020	8,061	285,081
Total	<u>\$ 807,784</u>	<u>\$ 47,463</u>	<u>\$ 855,247</u>

This debt will be retired from the Shortfall Loan Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 542,153	\$ 46,100	\$ 588,253
2013	482,657	26,120	508,777
2014	277,020	8,061	285,081
Total	<u>\$ 1,301,830</u>	<u>\$ 80,281</u>	<u>\$ 1,382,111</u>

D. 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 7 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

- 1. 11 copiers
- 2. Electronic filing system

Lease expenditures for the year ended June 30, 2011, amounted to \$40,030.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	\$ 40,030
2013	25,974
Total	<u>\$ 66,004</u>

BROOKHAVEN SCHOOL DISTRICT

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

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 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 \$1,726,728, \$1,788,674 and \$1,779,725, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 15,192
2013	13,381
2014	13,381
2015	4,697
2016	4,697
2017 – 2021	18,983
2022 – 2026	15,983
2027 – 2031	15,983
2032 – 2036	11,283
Total	<u>\$ 113,580</u>

BROOKHAVEN SCHOOL DISTRICT

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

Note 10 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' 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 12 - Insurance loss recoveries

The Brookhaven School District received \$7,764 in insurance loss recoveries related to theft during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
7,764	100%	Support services
<u>\$ 7,764</u>	<u>100%</u>	

BROOKHAVEN SCHOOL DISTRICT

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

Note 13 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Brookhaven School District evaluated the activity of the district through April 23, 2012, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

The district issued a shortfall note in the amount of \$275,719 on August 26, 2011. The note is for a period of three years with an interest rate of 2.79% and will be retired on August 26, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

BROOKHAVEN SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
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
Revenues:					
Local sources	\$ 7,565,770	\$ 7,368,242	\$ 7,368,242	\$ (197,528)	\$ 0
State sources	12,493,499	11,716,280	11,716,280	(777,219)	0
Federal sources	166,535	168,863	168,863	2,328	0
Total Revenues	20,225,804	19,253,385	19,253,385	(972,419)	0
Expenditures:					
Instruction	12,211,335	10,091,019	10,091,019	2,120,316	0
Support services	7,983,429	7,759,111	7,759,110	224,318	1
Noninstructional services	51,050	40,946	40,349	10,104	597
Total Expenditures	20,245,814	17,891,076	17,890,478	2,354,738	598
Excess (Deficiency) of Revenues over (under) Expenditures	(20,010)	1,362,309	1,362,907	1,382,319	598
Other Financing Sources (Uses):					
Bonds and notes issued	0	807,784	807,784	807,784	0
Insurance recovery	0	7,764	7,764	7,764	0
Sale of transportation equipment	0	6,388	6,388	6,388	0
Operating transfers in	2,772,844	2,610,317	269,280	(162,527)	(2,341,037)
Operating transfers out	(2,746,984)	(2,864,328)	(522,585)	(117,344)	2,341,743
Total Other Financing Sources (Uses)	25,860	567,925	568,631	542,065	706
Net Change in Fund Balances	5,850	1,930,234	1,931,538	1,924,384	1,304
Fund Balances:					
July 1, 2010	3,709,870	4,661,334	4,660,627	951,464	(707)
Increase (Decrease) in reserve for inventory	0	0	(597)	0	(597)
June 30, 2011	\$ 3,715,720	\$ 6,591,568	\$ 6,591,568	\$ 2,875,848	\$ 0

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

BROOKHAVEN SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

BROOKHAVEN SCHOOL DISTRICT

Supplemental Information

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 No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 269,041
National school lunch program	10.555	1,032,674
Summer food service program for children	10.559	22,379
Total child nutrition cluster		<u>1,324,094</u>
Total passed-through Mississippi Department of Education		<u>1,324,094</u>
Total U.S. Department of Agriculture		<u>1,324,094</u>
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	62,592
Total U.S. Department of Defense		<u>62,592</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company.		
The schools and libraries program of the universal service fund	32.xxx	47,756
Total Federal Communications Commission		<u>47,756</u>
U.S. Department of Education		
Direct Program:		
Impact aid	84.041	1,585
Total		<u>1,585</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services-vocational rehabilitation grants to states	84.126	644
Total		<u>644</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	38,915
Safe and drug-free schools and communities- state grants	84.186	31,086
Twenty-first century community learning centers	84.287	265,887
Education technology state grants	84.318	10,045
Education jobs fund	84.410	574,000
Rural education	84.358	80,820
Improving teacher quality state grants	84.367	284,064
Subtotal		<u>1,284,817</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,154,775
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	138,347
Total Title I cluster		<u>1,293,122</u>
Special education cluster:		
Special education - grants to states	84.027	649,390
Special education - preschool grants	84.173	28,771
ARRA - Special education grants to states, Recovery Act	84.391	38,314
ARRA - Special education - preschool grants, Recovery Act	84.392	4
Total special education cluster		<u>716,479</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	768,675
Total State Fiscal Stabilization Fund cluster		<u>768,675</u>
Total passed-through Mississippi Department of Education		<u>4,063,093</u>
Total U.S. Department of Education		<u>4,065,322</u>

BROOKHAVEN SCHOOL DISTRICT

Supplemental Information

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 No.	Federal Expenditures
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services:		
Abstinence education program	93.235	4,600
Total passed-through Mississippi Department of Health and Human Services		<u>4,600</u>
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	47,043
Total passed-through Mississippi Department of Education		<u>47,043</u>
Total U.S. Department of Health and Human Services		<u>51,643</u>
Total for All Federal Awards		\$ <u>5,551,407</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

BROOKHAVEN SCHOOL DISTRICT

Supplemental Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,817,968	14,091,702	1,014,452	1,562,108	3,149,706
Other	7,043,818	1,778,217	223,968	52,823	4,988,812
Total	\$ 26,861,784	15,869,919	1,238,418	1,614,929	8,138,518
Total number of students *	2,725				
Cost per student	\$ 9,858	5,824	454	593	2,987

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

OTHER INFORMATION

BROOKHAVEN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 7,368,242	\$ 7,524,963	\$ 7,418,910	\$ 7,000,486
State sources	11,716,280	11,782,603	13,743,040	13,588,342
Federal sources	168,863	85,720	175,063	95,118
Total Revenues	19,253,385	19,393,286	21,337,013	20,683,946
Expenditures:				
Instruction	10,091,019	10,845,728	12,310,923	12,644,691
Support services	7,759,110	7,594,596	8,184,428	7,726,442
Noninstructional services	40,349	52,577	71,881	307,581
Debt service:				
Principal		7,979	7,572	
Interest		228	635	
Total Expenditures	17,890,478	18,501,108	20,575,439	20,678,714
Excess (Deficiency) of Revenues over (under) Expenditures	1,362,907	892,178	761,574	5,232
Other Financing Sources (Uses):				
Bonds and notes issued	807,784	612,670	223,103	
Insurance recovery	7,764		1,964	
Sale of transportation equipment	6,388		3,191	
Operating transfers in	269,280	6,187		
Operating transfers out	(522,585)	(711,023)	(464,968)	(439,917)
Total Other Financing Sources (Uses)	568,631	(92,166)	(236,710)	(439,917)
Net Change in Fund Balances	1,931,538	800,012	524,864	(434,685)
Fund Balances:				
Beginning of period, as originally reported	4,660,627	3,858,888	3,305,549	3,696,007
Prior period adjustments			30,215	47,766
Beginning of period, as restated	4,660,627	3,858,888	3,335,764	3,743,773
Increase (Decrease) in reserve for inventory	(597)	1,727	(1,740)	(3,539)
End of Period	\$ 6,591,568	\$ 4,660,627	\$ 3,858,888	\$ 3,305,549

*SOURCE - PRIOR YEAR AUDIT REPORTS

BROOKHAVEN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 9,140,025	\$ 9,691,137	\$ 9,343,814	\$ 8,452,680
State sources	12,313,851	12,279,714	14,306,797	14,142,197
Federal sources	5,569,962	5,577,309	3,967,525	3,539,959
Sixteenth section sources	1,828,429	1,369,805	1,267,189	1,532,509
Total Revenues	28,852,267	28,917,965	28,885,325	27,667,345
Expenditures:				
Instruction	13,899,521	14,970,511	15,067,826	15,022,988
Support services	9,459,748	8,987,394	10,576,833	8,877,175
Noninstructional services	1,910,008	1,915,153	1,871,754	1,657,348
Sixteenth section	324,148	269,875	212,560	226,314
Facilities acquisition and construction				
Debt service:				
Principal	964,829	740,877	508,572	661,000
Interest	301,590	328,202	262,630	297,129
Other	1,940	1,940	7,003	5,469
Total Expenditures	26,861,784	27,213,952	28,507,178	26,747,423
Excess (Deficiency) of Revenues over (under) Expenditures	1,990,483	1,704,013	378,147	919,922
Other Financing Sources (Uses):				
Bonds and notes issued	807,784	612,670	1,848,103	
Insurance recovery	7,764		1,964	
Sale of transportation equipment	6,388		3,191	
Sale of other property			200	
Operating transfers in	797,064	729,678	482,116	458,473
Operating transfers out	(797,064)	(729,678)	(482,116)	(458,473)
Total Other Financing Sources (Uses)	821,936	612,670	1,853,458	0
Net Change in Fund Balances	2,812,419	2,316,683	2,231,605	919,922
Fund Balances:				
Beginning of period, as originally reported	11,910,294	9,593,219	7,331,103	6,370,280
Prior period adjustments			36,321	53,435
Beginning of period, as restated	11,910,294	9,593,219	7,367,424	6,423,715
Increase (Decrease) in reserve for inventory	20,008	392	(5,810)	(12,534)
End of Period	\$ 14,742,721	\$ 11,910,294	\$ 9,593,219	\$ 7,331,103

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Superintendent and School Board

Brookhaven School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookhaven School District, as of and for the year ended June 30, 2011, which collectively comprise Brookhaven School District's basic financial statements and have issued our report thereon dated April 23, 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

In planning and performing our audit, we considered Brookhaven 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 Brookhaven School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Brookhaven School District's internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brookhaven 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*.

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

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

April 23, 2012

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board

Brookhaven School District

Compliance

We have audited Brookhaven School District's compliance 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 Brookhaven School District's major federal programs for the year ended June 30, 2011. Brookhaven School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Brookhaven School District's management. Our responsibility is to express an opinion on Brookhaven 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 Brookhaven 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 of Brookhaven School District's compliance with those requirements.

In our opinion, Brookhaven 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

Management of Brookhaven 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 Brookhaven 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 Brookhaven 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 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 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.

This report is intended solely for the information and use of management, school board, others within the entity, entities with accreditation overview, 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.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

April 23, 2012

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

PATRICK E. LOWERY AND ASSOCIATES

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

Superintendent and School Board
Brookhaven School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookhaven School District as of and for the year ended June 30, 2011, which collectively comprise Brookhaven School District's basic financial statements and have issued our report thereon dated April 23, 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 \$12,957 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.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

April 23, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BROOKHAVEN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.394	ARRA-State Fiscal Stabilization Fund, Recovery Act
84.410	Education Jobs Fund

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

BROOKHAVEN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Brookhaven School District

P.O. Box 540

Brookhaven, Mississippi 39602-0540



Deputy Superintendent
James V. Tillman, Ed.S.
Director of Instructional Programs
Federal Programs Coordinator
Marsha F. Bond
Director of Assessment and Accountability
Stephanie Henderson, Ed.S.
Finance Director
Susan Quin, CPA

Lisa Karmacharya, Ed. D.
Superintendent

Auditee's Summary of Prior Audit Findings

As required by Section ____ .315 © of OMB Circular A-133, the Brookhaven School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2010:

<u>Finding</u>	<u>Status</u>
2010-1.	All vendors are screened to ensure they are not suspended or debarred from doing business with the federal government. The copy of the EPLS documentation is reviewed by the Purchasing Agent before a Purchase Order is approved.