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CITY OF BOONEVILLE, MISSISSIPPI

BASIC FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

SEPTEMBER 30, 2011

Jones & Jones
Certified Public Accountants
of Booneville, P.A.
Booneville, MS 38829-0250

CITY OF BOONEVILLE, MISSISSIPPI
Basic Financial Statements
Table of Contents
September 30, 2011

Description	Page
Independent Auditors' Report	1 - 2
Required Supplementary Information	
Management's Discussion and Analysis	3 - 16
Schedule 1 - Budgetary Comparison Schedule	72 - 77
Notes to Required Supplementary Information Budgetary Reporting	74 - 75
Basic Financial Statements	
Government-Wide Financial Statements	
Statement 1 - Statement of Net Assets	17 - 18
Statement 2 - Statement of Activities	19
Fund Financial Statements	
Statement 3 - Governmental Funds - Balance Sheet and Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Assets	20 - 21
Statement 4 - Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	22 - 24
Statement 5 - Proprietary Fund - Statement of Net Assets	25 - 26
Statement 6 - Proprietary Fund - Statement of Revenues, Expenses, and Changes in Fund Net Assets	27
Statement 7 - Proprietary Fund - Statement of Cash Flows	28 - 31
Statement 8 - Statement of Fiduciary Assets and Liabilities	32
Notes to Financial Statements	33 - 71

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CITY OF BOONEVILLE, MISSISSIPPI
Basic Financial Statements
Table of Contents
September 30, 2011

Description	Page
Other Supplementary Information	
Schedule 2 - Nonmajor Governmental Funds - Combining Balance Sheets	78
Schedule 3 - Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	79 - 80
Schedule 4 - Schedule of Surety Bonds for Municipal Officials and Employees	81
Schedule 5 - Schedule of Expenditures of Federal Awards	82 - 83
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*	84 - 85
Report on Compliance with State Laws and Regulations	86
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	87 - 89
Schedule of Findings and Questioned Costs	90 - 106
Results of Prior Audit Findings	107 - 110

JONES & JONES

CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.

Kermit V. Jones Jr., C.P.A. *Christopher D. Jones, C.P.A.* *Jeremy D. Jones, C.P.A.* *David W. Jones, C.P.A.*

Independent Auditors' Report

To the Mayor and Board of Alderpersons
City of Booneville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Booneville, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Booneville, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Booneville, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 18, 2012, on our consideration of the City of Booneville, Mississippi'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.

Members of American Institute of Certified Public Accountants

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BOONEVILLE, MISSISSIPPI 38829-0250

Members of Mississippi Society of Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information (Schedule 1) on pages 3 through 16 and 72 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Booneville, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements (Schedules 2 and 3), and the schedule of surety bonds for municipal officials and employees (Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (Schedule 5) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements (Schedules 2 and 3), the schedule of surety bonds for municipal officials and employees (Schedule 4), and the schedule of expenditures of federal awards (Schedule 5) are the responsibility of management and were derived from and relate 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 financial statements as a whole.

Sincerely yours,

Jones & Jones
Certified Public Accountants
of Booneville, P.A.

June 18, 2012

CITY OF BOONEVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2011

As management of the City of Booneville, Mississippi, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $15,399,800 (net assets). Of this amount, $3,196,311 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by $595,653 during the current fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $740,531, a decrease of $318,923 during the current fiscal year. Approximately 100.0 percent of this total amount, or $740,531, is available for spending at the government's discretion (unreserved fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was $572,280 or 9.1 percent of total general fund expenditures.

The City had fixed asset net additions of $1,012,527 during the current year. Of this amount $505,792 occurred in the governmental activities and $506,735 occurred in the business-type activities.

The City's total debt decreased by $352,779 during the current fiscal year. This change resulted from new debt issued of $99,698 and debt repayments net of amortization of $452,477.

During the current fiscal year, the City's operating grants and contributions decreased $67,933 (65.69 percent) mainly due to $76,001 in public works grants not reocurring; capital grants and contributions increased $343,637 (92.08 percent) mainly due to to a public safety grant for traffic signals received during the current year; property taxes decreased $176,842 (10.98 percent) mainly due to due to a decrease in millage rates; charges for services decreased $388,431 (4.69 percent) mainly due to the decrease in the cost of natural gas sold; and total expenses increased $721,893 (6.45 percent) mainly due to the prior year having a temporary 10 percent decrease in wages paid to employees and a return to normal increases in expenses during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government'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 (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the City include water and sewer operations and solid waste collection operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also four legally separate authorities—the Booneville Planning Board, the Park Commission Board, the Booneville Historical Commission Board, and the Booneville Election Commission Board. These component units, although legally separate, do not have any financial statements. Any expenses of these boards are paid by the City and are included in the City's financial statements. The City has excluded Booneville Municipal Separate School District and Booneville Housing Authority from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from each of these entities.

The government-wide financial statements can be found on pages 17 – 19 of this report.

Overview of the Financial Statements – continued

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison schedules for the general fund has been provided in the financial statements on pages 72 – 77 to demonstrate compliance with those budgets. The City had no major special revenue fund which required budget comparison schedules.

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

Proprietary funds

The City maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its natural gas operations, water and sewer operations, and its waste collection operations. The City also operates a repair shop as an internal service fund.

Overview of the Financial Statements – continued

Proprietary funds - continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the natural gas operations, the water and sewer operations, and the waste collection operations. The gas system fund and the water and sewer fund are considered to be major funds of the City. The waste collection fund is considered to be a nonmajor fund of the City. The revenues and expenditures reported in the internal service fund are not included in the government-wide financial statements since the related expense pertaining to each activity has already been included therein.

The basic proprietary fund financial statements can be found on pages 25 – 31 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 32 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 – 71 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the budgetary comparison schedules for certain governmental funds refered to earlier. Required supplementary information can be found on pages 72 – 77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 78 – 80 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Booneville, Mississippi, assets exceeded liabilities by $15,399,800 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (approximately 78.5 percent or $12,086,138) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (approximately 0.8 percent or $117,351) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (approximately 20.8 percent or $3,196,311) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by $595,653 during the current fiscal year. This increased was mainly due to the $596,843 increase in net assets from the business- type activity mainly due to a $226,026 capital grant as shown on the City of Booneville, Mississippi's Changes in Net Assets presented on the following pages. See other detailed changes on the following pages.

City of Booneville, Mississippi's Net Assets

	Governmental Activities				Business-Type Activities				Total			
	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change
Current and other assets	$ 2,641,293	$ 2,958,680	$ (317,387)	-10.7%	$ 3,743,835	$ 3,630,882	$ 112,953	3.1%	$ 6,385,128	$ 6,589,562	$ (204,434)	-3.1%
Capital assets	5,429,682	5,294,008	135,674	2.6%	14,309,658	14,268,142	41,516	0.3%	19,739,340	19,562,150	177,190	0.9%
Total assets	8,070,975	8,252,688	(181,713)	-2.2%	18,053,493	17,899,024	154,469	0.9%	26,124,468	26,151,712	(27,244)	-0.1%
Long-term liabilities outstanding	1,414,174	1,589,622	(175,448)	-11.0%	6,361,776	6,516,968	(155,192)	-2.4%	7,775,950	8,106,590	(330,640)	-4.1%
Other liabilities	1,640,167	1,646,242	(6,075)	-0.4%	1,308,551	1,594,733	(286,182)	-17.9%	2,948,718	3,240,975	(292,257)	-9.0%
Total liabilities	3,054,341	3,235,864	(181,523)	-5.6%	7,670,327	8,111,701	(441,374)	-5.4%	10,724,668	11,347,565	(622,897)	-5.5%
Net assets												
Investment in capital assets, net of related debt	4,152,414	3,799,859	352,555	9.3%	7,933,724	7,625,220	308,504	4.0%	12,086,138	11,425,079	661,059	5.8%
Resricted	49,384	45,225	4,159	9.2%	67,967	70,991	(3,024)	-4.3%	117,351	116,216	1,135	1.0%
Unrestricted	814,836	1,171,740	(356,904)	-30.5%	2,381,475	2,091,112	290,363	13.9%	3,196,311	3,262,852	(66,541)	-2.0%
Total Net Assets	$ 5,016,634	$ 5,016,824	$ (190)	0.0%	$ 10,383,166	$ 9,787,323	$ 595,843	6.1%	$ 15,399,800	$ 14,804,147	$ 595,653	4.0%

City of Booneville, Mississippi's Changes in Net Assets

	Governmental Activities				Business-Type Activities				Total			
	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change
Revenue												
Program Revenues												
Charges for services	$ 437,003	$ 461,933	$ (24,930)	-5.4%	$ 7,453,863	$ 7,817,364	$ (363,501)	-4.6%	$ 7,890,866	$ 8,279,297	$ (388,431)	-4.7%
Operating grants and contributions	35,474	103,407	(67,933)	-65.7%	-	-	-	0.0%	35,474	103,407	(67,933)	-65.7%
Capital grants and contributions	490,810	201,962	288,848	143.0%	226,026	171,237	54,789	32.0%	716,836	373,199	343,637	92.1%
General Revenues												
Taxes												
Property taxes	1,433,874	1,610,716	(176,842)	-11.0%	-	-	-	0.0%	1,433,874	1,610,716	(176,842)	-11.0%
Sales tax	1,705,131	1,675,308	29,823	1.8%	-	-	-	0.0%	1,705,131	1,675,308	29,823	1.8%
Franchise tax	209,300	167,080	42,220	25.3%	-	-	-	0.0%	209,300	167,080	42,220	25.3%
In lieu taxes	210,259	225,236	(14,977)	-6.6%	-	-	-	0.0%	210,259	225,236	(14,977)	-6.6%
Other taxes and state shared revenues	226,624	221,070	5,554	2.5%	-	-	-	0.0%	226,624	221,070	5,554	2.5%
Investment income	3,828	9,530	(5,702)	-59.8%	17,180	37,061	(19,881)	-53.6%	21,008	46,591	(25,583)	-54.9%
Other	33,611	33,127	484	1.5%	-	-	-	0.0%	33,611	33,127	484	1.5%
Total revenue	$ 4,785,914	$ 4,709,369	$ 76,545	1.6%	$ 7,697,069	$ 8,025,662	$ (328,593)	-4.1%	$ 12,482,983	$ 12,735,031	$ (252,048)	-2.0%

City of Booneville, Mississippi's Changes in Net Assets

	Governmental Activities				Business-Type Activities				Total			
	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change
Expenses:												
General government	$ 710,162	$ 674,583	$ 35,579	5.3%	$ -	$ -	$ -	0.0%	$ 710,162	$ 674,583	$ 35,579	5.3%
Public safety	3,246,128	2,945,548	300,580	10.2%	-	-	-	0.0%	3,246,128	2,945,548	300,580	10.2%
Public works	1,269,235	1,124,136	145,099	12.9%	-	-	-	0.0%	1,269,235	1,124,136	145,099	12.9%
Culture and recreation	664,020	528,202	135,818	25.7%	-	-	-	0.0%	664,020	528,202	135,818	25.7%
Economic development	72,311	106,341	(34,030)	-32.0%	-	-	-	0.0%	72,311	106,341	(34,030)	-32.0%
Interest	63,240	67,621	(4,381)	-6.5%	-	-	-	0.0%	63,240	67,621	(4,381)	-6.5%
Water and Sewer	-	-	-	0.0%	2,040,897	1,942,823	98,074	5.0%	2,040,897	1,942,823	98,074	5.0%
Natural Gas	-	-	-	0.0%	3,545,806	3,506,988	38,818	1.1%	3,545,806	3,506,988	38,818	1.1%
Sanitation	-	-	-	0.0%	309,669	303,333	6,336	2.1%	309,669	303,333	6,336	2.1%
Total expenses	6,025,096	5,446,431	578,665	10.6%	5,896,372	5,753,144	143,228	2.5%	11,921,468	11,199,575	721,893	6.4%
Increase (decrease) in net assets before contributions and transfers	(1,239,182)	(737,062)	(502,120)	68.1%	1,800,697	2,272,518	(471,821)	-20.8%	561,515	1,535,456	(973,941)	-63.4%
Gain (loss) on disposition of capital assets	34,138	(12,979)	47,117	-363.0%	-	-	-	0.0%	34,138	(12,979)	47,117	-363.0%
Transfers	1,204,854	1,212,252	(7,398)	-0.6%	(1,204,854)	(1,212,252)	7,398	-0.6%	-	-	-	0.0%
Increase (decrease) in net assets	(190)	462,211	(462,401)	-100.0%	595,843	1,060,266	(464,423)	-43.8%	595,653	1,522,477	(926,824)	-60.9%
Rounding	0	-	0	0.0%	-	-	-	0.0%	0	-	0	0.0%
Net assets--beginning of year	5,016,824	4,554,613	462,211	10.1%	9,787,323	8,727,057	1,060,266	12.1%	14,804,147	13,281,670	1,522,477	11.5%
Net assets--end of year	$ 5,016,634	$ 5,016,824	$ (190)	0.0%	$ 10,383,166	$ 9,787,323	$ 595,843	6.1%	$ 15,399,800	$ 14,804,147	$ 595,653	4.0%

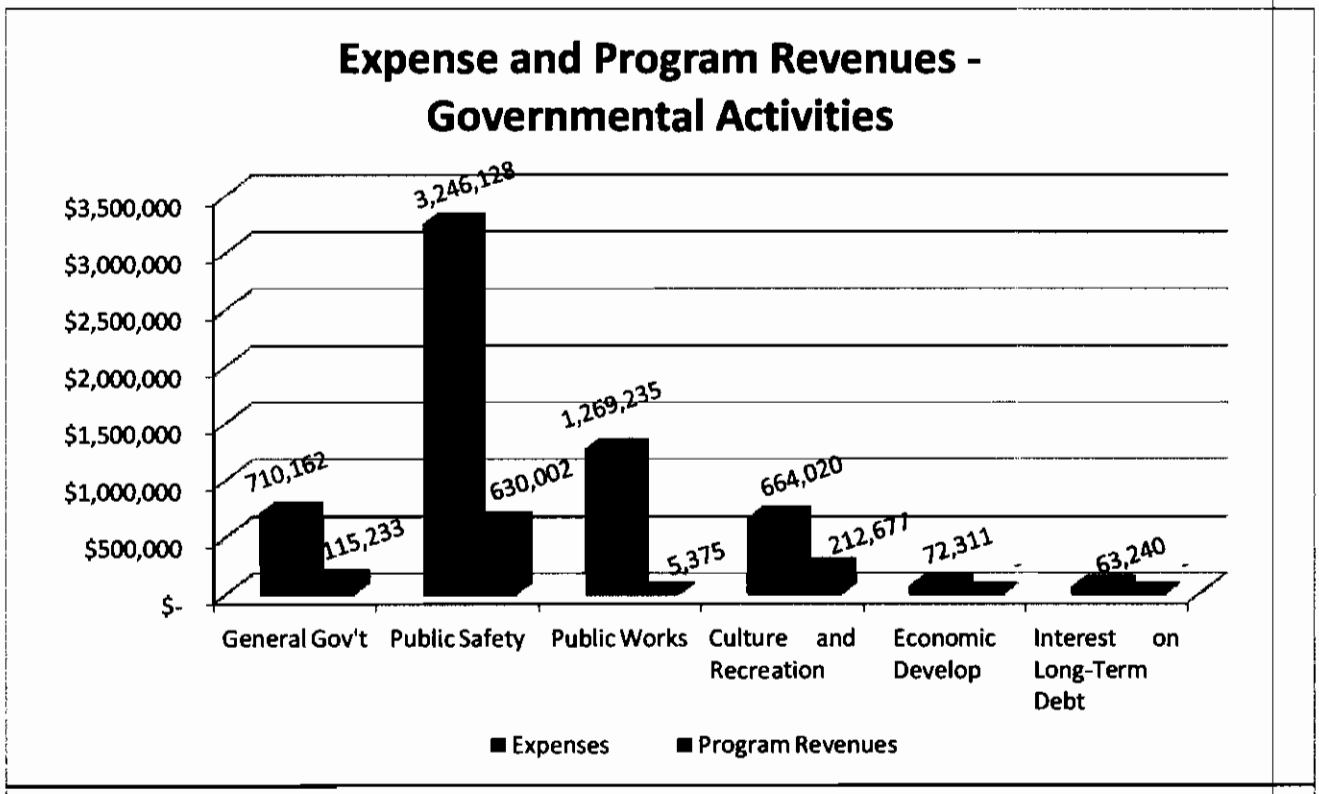
Governmental activities

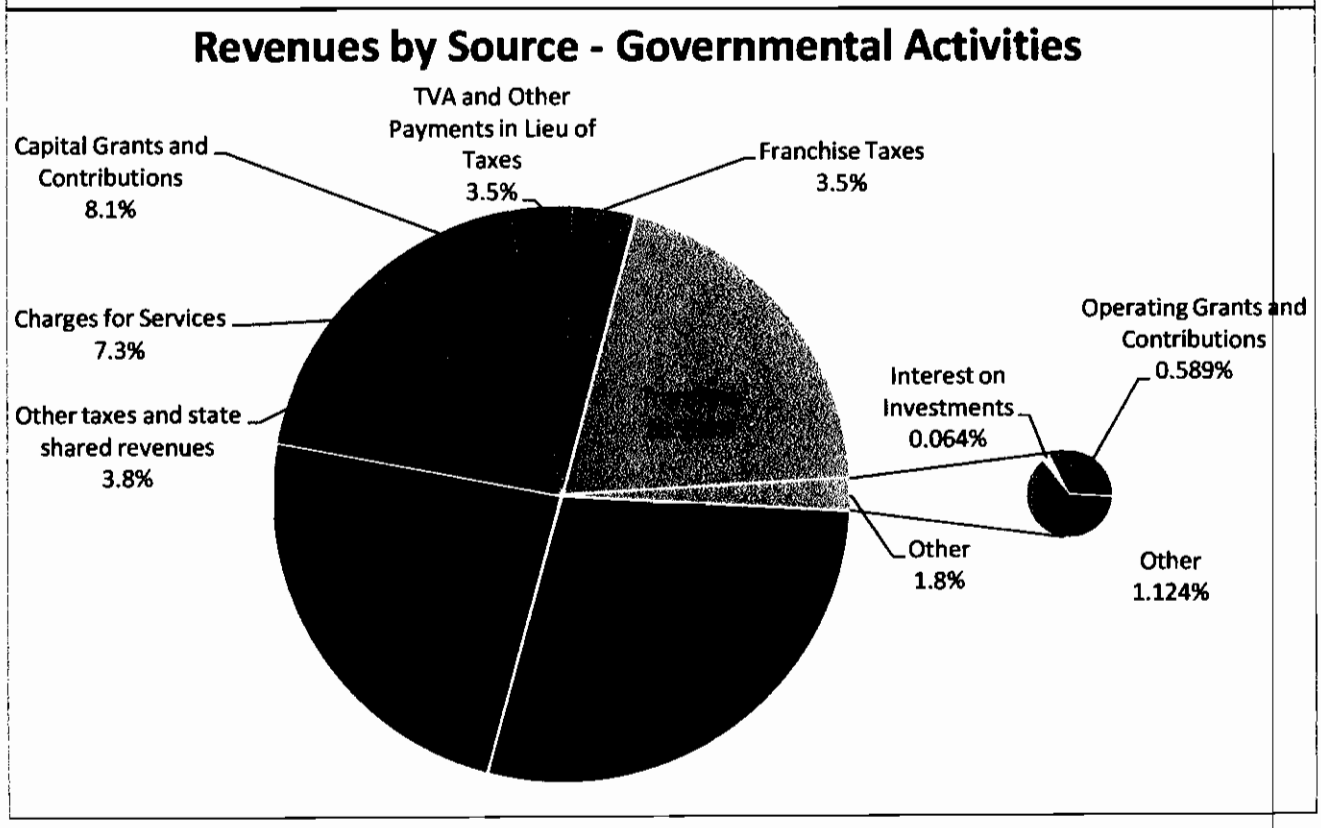
Governmental activities, including transfers from the business-type activities, decreased the City's net assets by $190 during the current year. By comparison, governmental activities including transfers reported an increase in net assets from the previous fiscal year of approximately $462,211. Key elements of the changes are as follows:

During the year charges for services decreased by $24,930 (approximately 5 percent), operating grants and contributions decreased by $67,933 (approximately 66 percent), capital grants and contributions increased by $288,848 (approximately 143 percent), property taxes decreased by $176,842 (approximately 11 percent), sales tax increased by $29,823 (approximately 2 percent), general government expenses increased by $35,579 (approximately 5 percent), public safety expenses increased by $300,580 (approximately 10 percent), public works expenses increased by $145,099 (approximately 13 percent), culture and recreation expenses increased by $135,818 (approximately 26 percent), and economic development expenses decreased by $34,030 (approximately 32 percent).

Government-wide Financial Analysis - continued

Governmental activities - continued





Government-wide Financial Analysis - continued

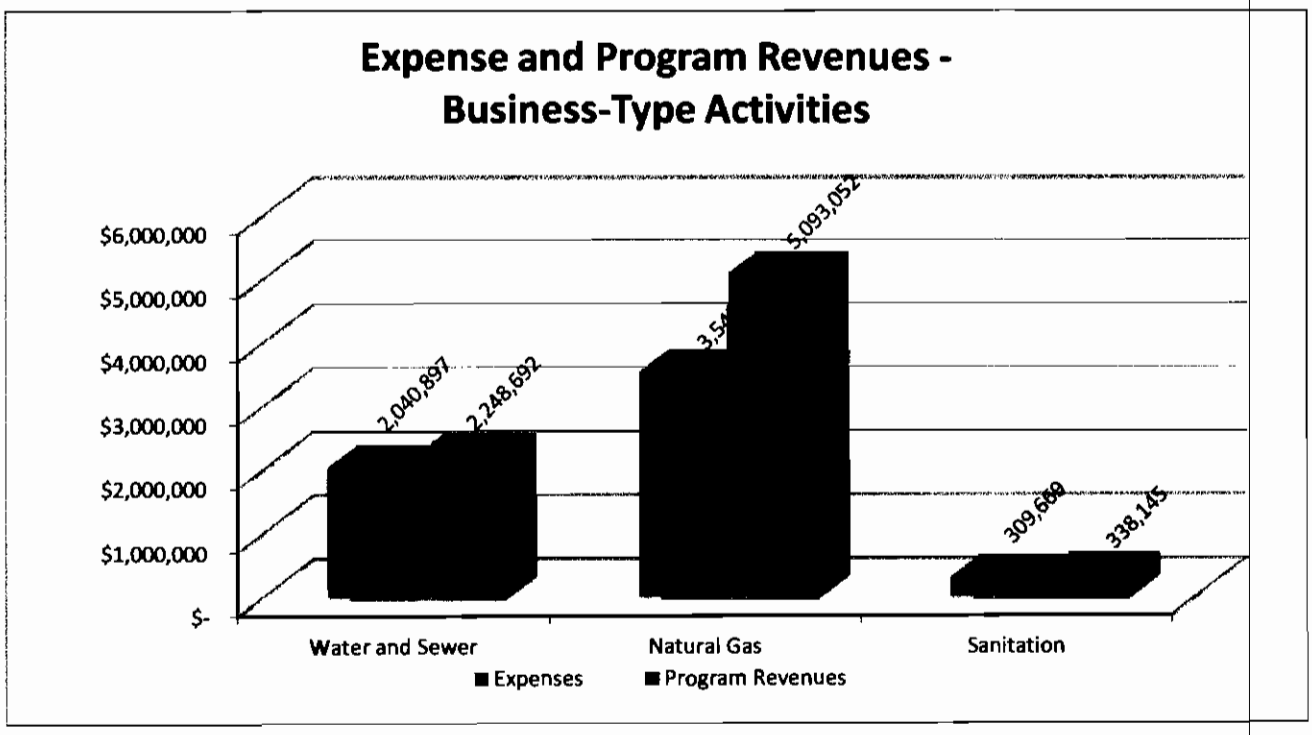
Business-type activities

Business-type activities reported an increase in the City's net assets by $595,843 during the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of $1,060,266. Key elements of this increase are as follows:

Charges for services for business-type activities decreased $363,501, or 4.6 percent, compared to the prior year. This was the result of a decrease in natural gas rates due to a decrease in the cost of natural gas prices during the current year.

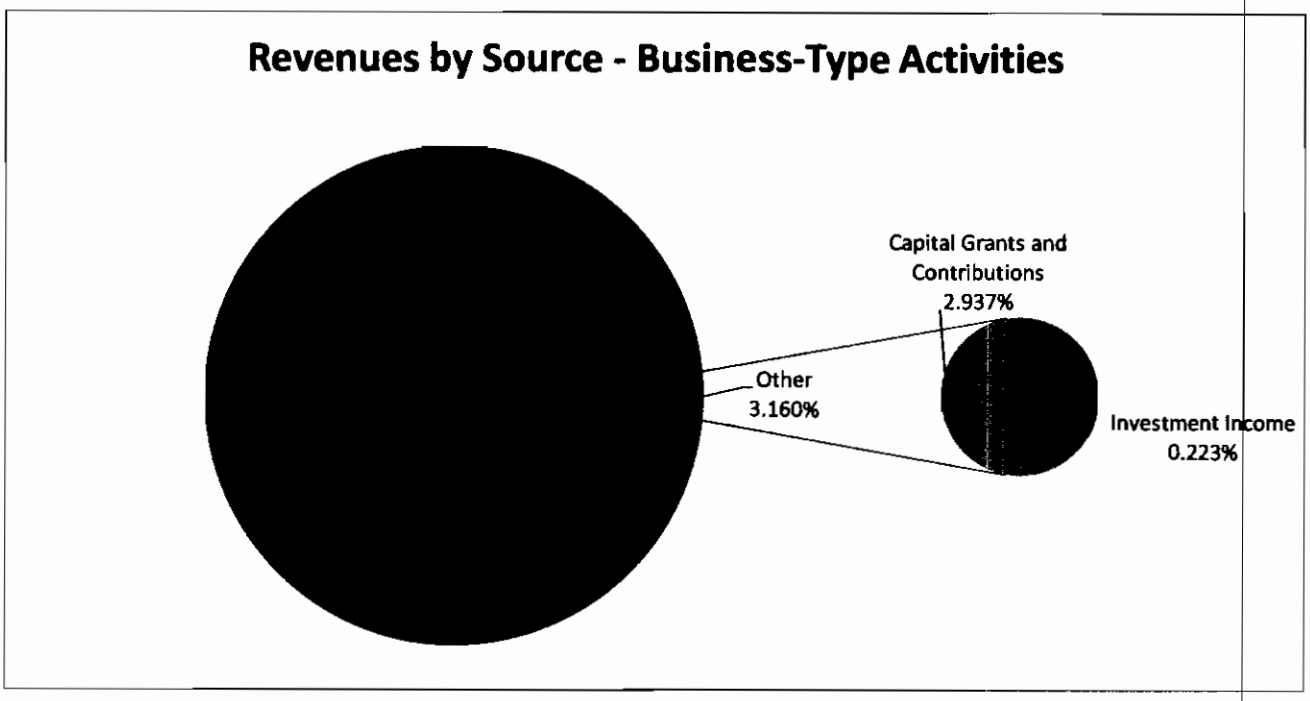
Expenses increased approximately 2.5 percent or $143,228, primarily because water and sewer fund expenditures increased $98,074 (5.0 percent).

Transfers out to other funds totaled $1,204,854 while prior year transfers out to other funds totaled $1,212,252. Transfers out decreased approximately 0.6 percent or $7,398. Other changes are detailed in the financial analysis above.



Government-wide Financial Analysis - continued

Business-type activities - continued



Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $740,531, a decrease of $318,923 compared to the prior year. Approximately 76.7 percent of this total amount ($567,712) constitutes unassignated fund balance, which is available for spending at the government's discretion.

The remainder of fund balance ($172,819) is either nonspendable, restricted by laws, regulations or by donor, committed by the Board of Alderpersons or assigned by the Mayor, to indicate that it is not available for new spending or it can be spent only for specific items.

Financial Analysis of the Government's Funds - continued

Governmental funds - continued

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $572,280 while total fund balance was $695,715. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 9.1 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by $323,082 during the current fiscal year. This is primarily attributable to an increase in property taxes and intergovernmental revenue collected and a decrease in various expenses.

Proprietary funds

The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the gas system, combined water and sewer system and solid waste collection system funds at the end of the year amounted to $1,211,024, $1,172,583, and $(2,132), respectively. The gas system fund had an increase in net assets for the year of $331,687, the combined water and sewer system fund had an increase in net assets for the year of $262,571, and the waste collection fund had an increase in net assets for the year of $1,585.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City made the following amendments to its original budget: Expenditures - general government - personnel services $40,277, fire - personnel services $40,000, fire - capital outlay $(40,000), street - personnel services $35,000, street supplies $15,000, street - other services and charges $(50,000), public property - personnel $35,000, public property - supplies $15,000, public property - other services and charges $25,000, public property - capital outlays $(75,000), park recreation - personnel services $22,000, park recreation - other services and charges $3,000, park services - capital outlays ($3,000), park maintenance - supplies $23,000, and park maintenance - capital outlays $(85,277).

During the year, general fund revenues were more than the budgetary estimates and expenditures were more than the budgetary estimates, resulting in an actual decrease in fund balance that was less than the final amended budget fund balance amount by approximately $235,349.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounted to $19,739,340 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges and other infrastructure acquired after October 1, 2003. The total increase in the City's investment in capital assets for the current fiscal year was approximately 0.9 percent (an approximate 2.6 percent increase for governmental activities and an approximate 0.3 percent increase for business-type activities).

Supervision and finance equipment	$ 5,299
Public property equipment	500
Park equipment	88,321
Park buildings and improvements	41,325
Street equipment	287,176
Police equipment	55,259
Fire equipment	10,912
Signal light construction in progress	8,500
Natural gas system buildings	20,121
Natural gas system automotive and equipment and office equipment	51,891
Natural gas system distribution system	95,422
Water and sewer system automotive and equipment and office equipment	70,225
Water and sewer system distribution system	269,077

City of Booneville, Mississippi's Capital Assets - Net

	Governmental Activities	Business-Type Activities	Total
Land	$ 1,043,044	$ 69,052	$ 1,112,096
Construction in progress	8,500	-	8,500
Infrastructure	1,510,761	-	1,510,761
Building and improvements	1,319,956	104,014	1,423,970
Natural gas system	-	2,898,308	2,898,308
Water and sewer system	-	10,917,888	10,917,888
Automotive, equipment and furnishings	1,547,421	320,396	1,867,817
Total	**$ 5,429,682**	**$ 14,309,658**	**$ 19,739,340**

Additional information on the City's capital assets can be found in Note F on pages 50 - 53 of this report and in the long-term debt section on the next page.

Capital Asset and Debt Administration - continued

Long-term debt

At the end of the current fiscal year, the City had total debt outstanding of $7,552,637. Of this amount, $1,020,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) or lease agreements subject to appropriations.

City of Booneville, Mississippi's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	$ 1,020,000	$ -	$ 1,020,000
Lease agreements	217,170	148,289	365,459
Revenue bonds	-	6,167,178	6,167,178
Total	**$ 1,237,170**	**$ 6,315,467**	**$ 7,552,637**

The City's total debt decreased by $352,779 (approximately 4.5 percent) during the current fiscal year. There were new lease obligations totaling $99,698 issued during the year.

Not included above but reported as long-term debt in the financial statements is the accumulated leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as a compensated absence at year end, due to the contract language to the effect that the employee has "earned" this compensation.

The City has not received a rating from Standard & Poor's.

State statute limits the amount of general obligation debt a governmental entity may issue to 15 percent of the assessed value of the taxable property within such City according to the last completed assessment for taxation. The margin for additional debt under the 15 percent debt limit is approximately $6,910,097. Additional information on the City's long-term debt can be found in Note H on pages 54 – 58 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2012 fiscal year:

The City expects its tax base to remain level.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unassigned fund balance in the general fund was $572,280.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 203 N. Main St., Booneville, Mississippi 38829.

CITY OF BOONEVILLE, MISSISSIPPI
Statement of Net Assets
September 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 667,768	$ 1,686,269	$ 2,354,037
Restricted cash and cash equivalents	-	859,740	859,740
Receivables (Net, where applicable, of allowances for uncollectibles)			
Property taxes (net of allowances of $119,581)	1,278,580	-	1,278,580
Police fines (net of allowances of $378,319)	84,717	-	84,717
Accounts (net of allowances of $18,076)	-	347,754	347,754
Franchise fees (net of allowances of $0)	31,553	-	31,553
Accrued interest (net of allowances of $73,163)	-	566	566
Notes receivable (net of allowances of $743,000)	-	28,318	28,318
Other (net of allowances of $0)	1,662	6,902	8,564
Prepaid items	37,233	21,467	58,700
Resale inventory	-	418,846	418,846
Supply inventory	-	96,762	96,762
Due from other governments	514,478	32,438	546,916
Land and construction in progress	1,051,544	69,052	1,120,596
Other capital assets (net of accumulated depreciation)	4,378,138	14,240,606	18,618,744
Deferred bond issuance cost	25,302	244,773	270,075
Total Assets	$ 8,070,975	$ 18,053,493	$ 26,124,468

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Statement of Net Assets
September 30, 2011

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable - operations	$ 130,477	$ 226,119	$ 356,596
Accounts payable - capital assets	36,098	60,467	96,565
Accrued interest	20,274	51,088	71,362
Accrued liabilities	206,946	17,479	224,425
Matured interest payable	568	-	568
Matured bonds payable	4,000	-	4,000
Customer deposits	-	634,697	634,697
Deferred revenues	1,241,804	-	1,241,804
Short-term notes payable	-	318,701	318,701
Long-term debt and capital leases			
Bonds and notes payable due within one year	110,000	255,000	365,000
Obligations under capital lease due within one year	72,794	53,597	126,391
Compensated absence due within one year	6,563	-	6,563
Bonds and notes payable due in more than one year	910,000	5,912,178	6,822,178
Obligations under capital lease due in more than one year	144,376	94,692	239,068
Compensated absense due in more than one year	170,441	46,309	216,750
Total Liabilities	3,054,341	7,670,327	10,724,668
NET ASSETS			
Investment in capital assets, net of related debt	4,152,414	7,933,724	12,086,138
Restricted for:			
Debt service - expendable	-	28,947	28,947
Bond cushion, depreciation and contingency - expendable	-	10,000	10,000
Fire protection capital outlays	2,964	-	2,964
Fire code updates	11,703	-	11,703
D.A.R.E. program	29,281	-	29,281
Downtown development	5,436	-	5,436
Unemployment	-	29,020	29,020
Unrestricted	814,836	2,381,475	3,196,311
TOTAL NET ASSETS	$ 5,016,634	$ 10,383,166	$ 15,399,800

The accompanying notes are an integral part of this financial statement.

Statement 2

CITY OF BOONEVILLE, MISSISSIPPI
Statement of Activities
For the fiscal year ended September 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Governmental Activities:							
General government	$ 710,162	$ 115,233	$ -	$ -	$ (594,929)	$ -	$ (594,929)
Public safety	3,246,128	204,268	34,924	390,810	(2,616,126)	-	(2,616,126)
Public works	1,269,235	5,375	-	-	(1,263,860)	-	(1,263,860)
Culture and recreation	664,020	112,127	550	100,000	(451,343)	-	(451,343)
Economic development	72,311	-	-	-	(72,311)	-	(72,311)
Interest	63,240	-	-	-	(63,240)	-	(63,240)
Total Governmental Activities	6,025,096	437,003	35,474	490,810	(5,061,809)	-	(5,061,809)
Business-Type Activities:							
Water and Sewer	2,040,897	2,022,666	-	226,026	-	207,795	207,795
Natural Gas	3,545,806	5,093,052	-	-	-	1,547,246	1,547,246
Sanitation	309,669	338,145	-	-	-	28,476	28,476
Total Business-Type Activities	5,896,372	7,453,863	-	226,026	-	1,783,517	1,783,517
TOTAL PRIMARY GOVERNMENT	$ 11,921,468	$ 7,890,866	$ 35,474	$ 716,836	(5,061,809)	1,783,517	(3,278,292)
General Revenues							
Taxes							
Property taxes and late fees					1,433,874	-	1,433,874
Sales tax					1,705,131	-	1,705,131
Homestead					130,896	-	130,896
Franchise tax					209,300	-	209,300
TVA and other payments in lieu of taxes					210,259	-	210,259
Road tax and advalorem privilege tax					79,784	-	79,784
Municipal aid and gasoline tax					15,944	-	15,944
Investment income					3,828	17,180	21,008
Other					33,611	-	33,611
Gain (loss) on sale or retirement of capital assets					34,138	-	34,138
Transfers					1,204,854	(1,204,854)	-
Total					5,061,619	(1,187,674)	3,873,945
Change in Net Assets					(190)	595,843	595,653
NET ASSETS--BEGINNING					5,016,824	9,787,323	14,804,147
NET ASSETS--ENDING					$ 5,016,634	$ 10,383,166	$ 15,399,800

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2011

ASSETS	General	Nonmajor Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 620,001	$ 47,768	$ 667,769
Receivables (net of allowance for uncollectibles)			
Taxes	1,278,578	-	1,278,578
Police fines	84,717	-	84,717
Franchise fees	31,554	-	31,554
Other	1,662	-	1,662
Due from other funds	-	1,616	1,616
Due from other governments	514,478	-	514,478
Prepaid items	37,233	-	37,233
Total assets and other debits	$2,568,223	$ 49,384	$ 2,617,607
LIABILITIES			
Accounts payable - operations	$ 130,478	$ -	$ 130,478
Accounts payable - fixed assets	36,098	-	36,098
Accrued liabilities	206,946	-	206,946
Compensated absence	6,563	-	6,563
Due to other funds	1,616	-	1,616
Deferred revenue	1,490,807	-	1,490,807
Matured interest payable	-	568	568
Matured revenue bonds payable	-	4,000	4,000
Total liabilities	1,872,508	4,568	1,877,076
FUND BALANCES			
Nonspendable	37,233	-	37,233
Restricted	-	49,384	49,384
Committed	37,432	-	37,432
Assigned	48,770	-	48,770
Unassigned	572,280	(4,568)	567,712
Total fund balance	695,715	44,816	740,531
Total liabilities and fund balances	$2,568,223	$ 49,384	$ 2,617,607

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Assets
September 30, 2011

FUND BALANCES OF GOVERNMENTAL FUNDS	$	740,531
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and; therefore, were not reported in the governmental funds. The capital assets were adjusted as follows:		
Land improvements and construction in progress		1,051,544
Other capital assets		8,736,165
Less accumulated depreciation		(4,358,027)
Total capital assets		5,429,682
Some of the City's revenues will be collected after year end but will not be available soon enough to pay for the current period's expenditures and; therefore, are deferred in the governmental funds. The deferred revenues were adjusted as follows:		
Revenues - police fines		51,059
Revenues - charges for services - rent		
Revenues - payments in lieu of tax		113,709
Revenues - property taxes		33,554
Revenues - intergovernmental		50,681
Total deferred revenue		249,003
Deferred bond issuance costs are not reported in the governmental funds		25,302
Interest payable on long-term debt did not require current financial resources; therefore, interest payable was not reported as a liability in the governmental funds.		(20,274)
Long-term liabilities, including bonds payable, capital leases and compensated absences not due and payable in the current period and; therefore, are not reported in the governmental funds. The long-term liabilities were adjusted as follows:		
General obligation bonds		(1,020,000)
Capital leases		(217,170)
Compensated absences		(170,440)
Total long-term debt and capital leases		(1,407,610)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	5,016,634

The accompanying notes are an integral part of this financial statement.

Statement 4

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2011

	General	Nonmajor Other Governmental Funds	Total Governmental Funds
REVENUES			
Advalorem taxes, penalties and interest	$ 1,432,649	$ -	$ 1,432,649
Franchise taxes	209,300	-	209,300
Municipal sales tax	1,705,131	-	1,705,131
Permits, fees and privilege tax	39,083	-	39,083
Municipal court fines and bond fees	145,505	11,412	156,917
Intergovernmental revenues	948,167	44,856	993,023
Interest income	3,553	273	3,826
Charge for services	122,967	-	122,967
Collection fees	76,150	-	76,150
Donations	650	-	650
Other	36,190	-	36,190
Total revenues	4,719,345	56,541	4,775,886
EXPENDITURES			
Current			
General government	701,109	-	701,109
Public safety	3,085,429	2,122	3,087,551
Public works	1,127,031	-	1,127,031
Culture and recreation	577,973	-	577,973
Economic development	68,595	3,716	72,311
Capital outlay	509,146	935	510,081
Debt Service			
Principal retirement - capital lease	46,961	-	46,961
Principal retirement - general obligation	110,000	38,071	148,071
Interest and paying agent	55,175	7,538	62,713
Total expenditures	6,281,419	52,382	6,333,801
Excess (deficit) of revenues over (under) expenditures	$ (1,562,074)	$ 4,159	$ (1,557,915)

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2011

	General	Nonmajor Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Proceeds from disposition of fixed assets	$ 34,138	$ -	$ 34,138
Operating transfers in	1,204,854	1,499	1,206,353
Operating transfers out	-	(1,499)	(1,499)
Total other financing sources (uses)	1,238,992	-	1,238,992
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	(323,082)	4,159	(318,923)
Fund balance - beginning of year	895,362	40,657	936,019
Fund balance - end of year	$ 572,280	$ 44,816	$ 617,096

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, STATE OF MISSISSIPPI
Reconcilation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities
For the fiscal year ended September 30, 2011

NET CHANGES IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS	$ (318,923)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of actvities, assets with an individual cost of more than $500 are capitalized and the cost is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay	505,792
Depreciation expense	(370,118)
	135,674
The repayment of long-term debt is reported as an expenditure when due in governmental funds, but as a reduction of principal outstanding in the statement of activities.	195,033
Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds. Deferred revenues increased (decreased) by these amounts during the current year:	
Property taxes	1,225
Municipal court fines	5,386
Advalorem privilege tax	(29)
Payment in lieu of taxes	1,705
Capital grant and contributions	1,739
	10,026
Some expenses in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds. They are as follows:	
(Increase) decrease in compensated absences	(21,474)
(Increase) decrease in accrued interest expense	2,808
Amortization of bond issuance cost	(3,334)
	(22,000)
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (190)

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Properietary Fund
Statement of Net Assets
September 30, 2011

	Business-Type Activities--Enterprise Fund				
	Gas System	Combined Water and Sewer System	Nonmajor Fund Waste Collection	Total Business-Type Funds	Governmental Internal Service Fund
ASSETS					
Current Assets					
Cash and cash equivalents - unrestricted	$ 1,039,939	$ 646,330	$ -	$ 1,686,269	$ -
Receivables (net of allowance for uncollectibles)					
Accounts	122,625	192,116	33,013	347,754	-
Interest	566	-	-	566	-
Other	5,823	1,079	-	6,902	-
Notes receivable - current portion	28,318	-	-	28,318	-
Resale inventory	418,846	-	-	418,846	-
Supply inventory	44,463	52,299	-	96,762	-
Due from other funds	-	8,749	-	8,749	-
Prepaid items	7,449	14,018	-	21,467	-
Total current assets	1,668,029	914,591	33,013	2,615,633	-
Noncurrent Assets					
Restricted Assets					
Cash and cash equivalents	499,956	359,784	-	859,740	-
Due from other governments - restricted	-	32,438	-	32,438	-
Nondepreciable land, improvements and construction in progress	32,426	36,626	-	69,052	-
Depreciable capital assets, net of accumulated depreciation	3,197,912	11,042,694	-	14,240,606	-
Other debits - deferred charges, net	-	244,773	-	244,773	-
Total noncurrent assets	3,730,294	11,716,315	-	15,446,609	-
Total assets	$ 5,398,323	$ 12,630,906	$ 33,013	$ 18,062,242	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Properietary Fund
Statement of Net Assets
September 30, 2011

	Business-Type Activities--Enterprise Fund				
	Gas System	Combined Water and Sewer System	Nonmajor Fund Waste Collection	Total Business-Type Funds	Governmental Internal Service Fund
LIABILITIES					
Current Liabilities					
Accounts payable - operations	$ 122,726	$ 68,248	$ 35,145	$ 226,119	$ -
Accounts payable - fixed assets	2,930	57,537	-	60,467	-
Accrued interest	1,594	49,494	-	51,088	-
Accrued liabilities	9,823	7,656	-	17,479	-
Customer deposits	469,132	165,565	-	634,697	-
Due to other funds	8,749	-	-	8,749	-
Short-term notes payable	318,701	-	-	318,701	-
Current portion of revenue bonds payable	-	255,000	-	255,000	-
Current portion of obligations under capital lease	41,111	12,486	-	53,597	-
Total current liabilities	974,766	615,986	35,145	1,625,897	-
Noncurrent Liabilities					
Lease obligations payable less current maturities	77,409	17,283	-	94,692	-
Compensated absences	12,898	33,411	-	46,309	-
Revenue bonds payable, less current maturities	-	5,912,178	-	5,912,178	-
Total noncurrent liabilities	90,307	5,962,872	-	6,053,179	-
Total liabilities	1,065,073	6,578,858	35,145	7,679,076	-
NET ASSETS					
Invested in capital assets, net of related debt	3,108,888	4,824,836	-	7,933,724	-
Restricted for debt service	-	28,947	-	28,947	-
Restricted for revenue bond cushion, depreciation and contingent	-	10,000	-	10,000	-
Restricted for unemployment	13,338	15,682	-	29,020	-
Unrestricted (deficit)	1,211,024	1,172,583	(2,132)	2,381,475	-
Total net assets (deficit)	$ 4,333,250	$ 6,052,048	$ (2,132)	$ 10,383,166	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Properietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the fiscal year ended September 30, 2011

	Business-Type Activities–Enterprise Fund				
	Gas System	Combined Water and Sewer System	Nonmajor Fund Waste Collection	Total Business-Type Funds	Governmental Internal Service Fund
OPERATING REVENUES					
Charges for services	$ 5,004,018	$ 1,968,799	$ 338,144	$ 7,310,961	$ 91,841
Service charges and other	89,033	53,867	-	142,900	-
Total operating revenues	5,093,051	2,022,666	338,144	7,453,861	91,841
OPERATING EXPENSES					
Personnel services	506,897	590,898	-	1,097,795	77,295
Professional services	31,162	77,083	-	108,245	-
Supplies	127,874	127,683	-	255,557	8,029
Repairs	72,345	187,795	-	260,140	-
Operational	171,208	346,883	-	518,091	6,517
Purchase of natural gas	2,498,830	-	-	2,498,830	-
Waste disposal	-	-	309,669	309,669	-
Depreciation and amortization	116,396	348,822	-	465,218	-
Total operating expenses	3,524,712	1,679,164	309,669	5,513,545	91,841
Operating income (loss)	1,568,339	343,502	28,475	1,940,316	-
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	11,720	5,462	-	17,182	-
Interest expense and fiscal charges	(21,094)	(361,733)	-	(382,827)	-
Total nonoperating revenues and expenses	(9,374)	(356,271)	-	(365,845)	-
Income (loss) before operating transfers and contributions	1,558,965	(12,769)	28,475	1,574,671	-
Capital contributions	-	226,026	-	226,026	-
Operating transfers in	-	49,314	-	49,314	-
Operating transfers out	(1,227,278)	-	(26,890)	(1,254,168)	-
Changes in net assets	331,687	262,571	1,585	595,843	-
Total net assets (deficit) - beginning of year	4,001,563	5,789,477	(3,717)	9,787,323	-
Total net assets (deficit) - end of year	$ 4,333,250	$ 6,052,048	$ (2,132)	$ 10,383,166	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Properietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2011

	Business-Type Activities--Enterprise Fund				
	Gas System	Combined Water and Sewer System	Nonmajor Fund Waste Collection	Total Business-Type Funds	Governmental Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 5,065,363	$ 2,023,333	$ 336,245	$ 7,424,941	$ -
Receipts from interfund services	-	-	-	-	91,841
Payments to employees including fringe benefits	(518,769)	(606,560)	-	(1,125,329)	(77,295)
Payments to suppliers for goods and services	(2,456,038)	(693,126)	(309,355)	(3,458,519)	(14,546)
Payments for interfund services	(22,424)	(22,424)	-	(44,848)	-
Net cash provided by operating activities	2,068,132	701,223	26,890	2,796,245	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating transfers in	-	49,314	-	49,314	-
Operating transfers out	(1,227,278)	-	(26,890)	(1,254,168)	-
Interest and fiscal charges paid	(21,942)	-	-	(21,942)	-
Principal payments on short term notes	(488,430)	-	-	(488,430)	-
Net cash provided (used) by non-capital financing activities	$ (1,737,650)	$ 49,314	$ (26,890)	$ (1,715,226)	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Properietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2011

	Business-Type Activities--Enterprise Fund				
	Gas System	Combined Water and Sewer System	Nonmajor Fund Waste Collection	Total Business-Type Funds	Governmental Internal Service Fund
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital grant	$ -	$ 253,396	$ -	$ 253,396	$ -
Principal payments - revenue bonds	-	(240,000)	-	(240,000)	-
Principal payments - capital lease	(34,200)	(5,904)	-	(40,104)	-
Payment on payables used to acquire fixed assets	(87,519)	(82,188)	-	(169,707)	-
Acquisition and construction of capital assets	(102,680)	(251,995)	-	(354,675)	-
Interest and fiscal charges paid	-	(317,016)	-	(317,016)	-
Net cash provided (used) by capital and related financing activities	(224,399)	(643,707)	-	(868,106)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Collection of notes receivable	30,550	-	-	30,550	-
Interest income	12,330	5,462	-	17,792	-
Net cash provided (used) by investment activities	$ 42,880	$ 5,462	$ -	$ 48,342	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Properietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2011

	Business-Type Activities–Enterprise Fund				
	Gas System	Combined Water and Sewer System	Nonmajor Fund Waste Collection	Total Business-Type Funds	Governmental Internal Service Fund
NON CASH TRANSACTIONS AFFECTING FINANCIAL POSITION					
Acquisition of fixed assets on account and capital lease	$ (64,754)	$ (87,306)	$ -	$ (152,060)	$ -
Borrowing under capital lease	61,824	29,769	-	91,593	-
Borrowing from suppliers on account	2,930	57,537	-	60,467	-
Acquisition of natural gas inventory by assumption of note payable	(318,701)	-	-	(318,701)	-
Assumption of notes payable to acquire natural gas inventory	318,701	-	-	318,701	-
Net effect of non cash transactions	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	148,963	112,292	-	261,255	-
Cash and cash equivalents, beginning of year	1,390,932	893,822	-	2,284,754	-
Cash and cash equivalents, end of year	$ 1,539,895	$ 1,006,114	$ -	$ 2,546,009	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Properietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2011

	Business-Type Activities--Enterprise Fund				
	Gas System	Combined Water and Sewer System	Nonmajor Fund Waste Collection	Total Business-Type Funds	Governmental Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 1,568,339	$ 343,502	$ 28,475	$ 1,940,316	$ -
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation	116,396	348,822	-	465,218	-
Noncash acquisition of natural gas inventory	318,701	-	-	318,701	-
(Increase) decrease in accounts receivable	(28,903)	(5,975)	(1,899)	(36,777)	-
(Increase) decrease in other receivables	(2,219)	1,136	-	(1,083)	-
(Increase) decrease in resale inventory	49,242	-	-	49,242	-
(Increase) decrease in supply inventory	6,651	6,969	-	13,620	-
(Increase) decrease in prepaid items	(17)	919	-	902	-
Increase (decrease) in accounts payable - operations	39,767	16,002	314	56,083	-
Increase (decrease) in accrued liabilities - payroll and benefits	(13,368)	(16,721)	-	(30,089)	-
Increase (decrease) in credit balance in accounts receivable	(2,776)	(2,776)	-	(5,552)	-
Increase (decrease) in customer deposits	14,823	8,286	-	23,109	-
Increase (decrease) in compensated absences	1,496	1,059	-	2,555	-
Total adjustments	499,793	357,721	(1,585)	855,929	-
Net cash provided (used) by operating activities	$ 2,068,132	$ 701,223	$ 26,890	$ 2,796,245	$ -

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2011

	Agency Funds
ASSETS	
Taxes receivable (net of allowances of $116,845)	$ 1,545,127
Total Assets	$ 1,545,127
LIABILITIES	
Due to other governments	$ 19
Deferred revenue	1,545,108
Total Liabilities	$ 1,545,127

The accompanying notes are an integral part of this financial statement.

CITY OF BOONEVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Booneville, Mississippi, ("the City") was incorporated December 21, 1861 and reincorporated February 23, 1882 under the provisions of the State of Mississippi. The City operates under a Mayor - Board of Alderman form of government and provides the following services to the citizens of the City as authorized by its charter--public safety (police and fire), public works, health and social services, culture, recreation, public improvements, public health, planning and zoning, natural gas utilities, water and sewer utilities, waste collection, and general administrative services.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP), applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. For the government-wide financial statements and proprietary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting and reporting policies and practices used by the City are described below.

1. New Accounting Standards Adopted

   In the fiscal year 2011, the City was required to adopt two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB). They are as follows:

   Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions issued in February 2009, became effective for the fiscal year ended September 30, 2011. The objective of this statement is to enhance 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. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Implementation of this standard changed the presentation of fund balances for governmental funds. This statement changed the way governmental fund balances are reported. See Note A item 13 for details of new classification.

   Statement No. 59, Financial Instruments Omnibus issued in June, 2010, became effective for the fiscal year ended September 30, 2011. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this standard had no material effect on the City's financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Reporting Entity

The City is governed by an elected mayor and five-member board of alderpersons. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Blended Component Unit

The Booneville Planning Board and the Booneville Election Commission meet the criteria listed for inclusion as a component unit. However, these boards do not have any financial activity; therefore, there are no separate financial statements for these component units. Any expenses of these boards are paid by the City and are blended in the City's financial statements. The Booneville Planning Board is 100 percent appointed by the City Board and provides planning commission services to the City. The Booneville Election Commission is 100 percent appointed by the City Board and handles all municipal elections.

3. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separated component units for which the primary government is financially accountable. On the reporting model, as defined by GASB Statement No. 34, the focus is either the City as a whole or major individual funds (within the fund financial statements).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Government-Wide and Fund Financial Statements - continued

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, and franchise taxes, intergovernmental revenues, interest income, etc.). When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental fund is the general fund. The major business type funds are the gas system fund and the combined water and sewer system fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statement. The costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc. of the governmental activities and Water and Sewer, Natural Gas and Sanitation of the business-type activities).

The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Government-Wide and Fund Financial Statements - continued

The government-wide focus is more of the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and business-type categories as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level 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. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem taxes, franchise taxes, licenses, fines, interest revenues and charges for services are recognized under the susceptible to accrual concept. Fines prior to October 1, 2002 are not susceptible to accrual because the City cannot measure them until received in cash. Net fines receivable for the periods prior to October 1, 2002 are not expected to be material. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. All other revenue items are considered to be measurable and available only when cash is received by the City. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting - continued

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's gas fund, combined water and sewer fund, and waste collection fund are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the City:

Governmental Funds:

The following is a description of the Governmental Funds of the City:

a. General Fund accounts for several of the City's primary services (General Government, Public Safety, Public Works, and Culture and Recreation, etc.) and is the primary operating unit of the City.

The City additionally reports other governmental funds which is a summary of all the nonmajor governmental funds.

Proprietary Funds:

The following is a description of the major Proprietary Funds of the City:

a. Gas System Fund accounts for the operation of the City's natural gas utility. Activities of the fund include administration, operation and maintenance of the natural gas system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and payment of, long term debt principal and interest on revenue bonds and obligations under capital leases when due during the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting - continued

b. Combined Water and Sewer System Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and payment of, long term debt principal and interest on revenue bonds and obligations under capital leases when due during the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the fund.

c. The City additionally reports nonmajor funds consisting of the Waste Collection Fund, which accounts for the operation of the City's waste collection. Customers are billed monthly at a rate to cover the cost of providing such service.

Other Fund Types:

The City additionally reports for the following fund types:

a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis.

b. Agency Funds are used to account for assets held by the City in an agency capacity for other governments, individuals or companies.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased to be cash equivalents. Certificates of deposit with a maturity of more than 90 days when purchased are not considered to be cash equivalents. All investments are in certificates of deposit that are valued at cost, which approximates fair value.

Cash and cash equivalents, as shown on Statement 7, include the following Proprietary Fund cash balances as shown on Statement 5:

	Gas System	Combined Water and Sewer System	Waste Collection	Total
Cash and cash equivalents	$ 1,039,939	$ 646,330	$ -	$ 1,686,269
Restricted cash and cash equivalents	499,956	359,784	-	859,740
	$ 1,539,895	$ 1,006,114	$ -	$ 2,546,009

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Inventories and Prepaid Items

Inventories of the enterprise funds are maintained on the consumption method and are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of enterprise fund expendable supplies held for consumption and natural gas held for resale. The governmental funds record inventories under the purchase method; therefore, items are recorded as expenses when purchased. The City governmental funds do not maintain material inventories; therefore, the accompanying fund and government-wide financial statements do not reflect governmental fund or governmental activities inventory.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis for both fund and government-wide financial statements.

8. Capital Assets

Property, plant and equipment purchased or acquired is recorded at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. As permitted by GASB Statement No. 34, the City has elected not to report public domain (infrastructure) fixed assets acquired prior to October 1, 2003. Capital assets are defined by the government as assets with an initial, individual cost of $500 or more and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized phase of capital assets constructed.

Property, plant and equipment of the primary government, is depreciated using the straight line method over the following useful lives:

Assets	Years
Computer equipment and peripherals	3
Vehicles and equipment	5
Furniture and fixtures	7
Heavy equipment	10
Infrastructure – streets and roads	20
Improvements other than buildings	40
Buildings	40 - 50
Utility plant	10 - 100

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capitalization of Interest

In conformity with Financial Accounting Standards No. 34, Capitalization of Interest Cost, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest, fiscal charges, and amortization of loan discount and deferred amount of refunding incurred in the enterprise funds was $382,827. Interest costs, fiscal charges, and amortization of loan discount and deferred amount of refunding of $382,827 were charged to expense. No interest costs, net of interest earned, were capitalized as fixed assets in the enterprise funds.

10. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 15 days per year for over 5 years of service. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least 12 months of continuous service.

Certain City employees accumulate personal leave days when required to work on holidays or other nonworking periods. Personal leave is paid to the employees upon termination of employment.

In accordance with the provisions of GASB Statement No. 16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

11. Long-Term Obligations

The City has issued debt under Section 17-21-51 and 17-21-53 of the Mississippi Code. These code sections provide for the prompt payment of notes or certificates of indebtedness at maturity, both principal and interest, of which the full faith credit and resources of the City are pledged. If the City does not have available funds in an amount sufficient to provide for the payment of principal and interest according to the terms of such notes or certificates of indebtedness, then the City is required to annually levy a special tax upon all of its taxable property at a rate, the avails of which will be, sufficient to provide such payments. Funds derived from any such tax shall be paid into a sinking fund and used exclusively for the payment of principal and interest on the notes or certificates of indebtedness.

The City has not and does not expect to be required to levy such tax.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Long-Term Obligations - continued

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Payable from Restricted Assets

Certain assets of the business-type activities have been restricted for debt service, construction and customer deposits. These assets consist of cash and short-term investments and accrued interest restricted as follows:

	Gas System	Combined Water and Sewer System
Customer deposits	$ 469,132	$ 165,565
Accrued interest payable	-	49,494
Revenue bonds payable	-	255,000
	$ 469,132	$ 470,059

13. Fund Equity/Net Assets

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance. This classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fund Equity/Net Assets - continued

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Alderpersons, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Alderpersons removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for a specific purpose, but are neither restricted nor committed. The Board of Alderpersons and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

The constraints on fund balances as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund.

	General Fund	Other Governmental Funds
Fund Balances:		
Nonspendable:		
Prepaid Items	$ 37,233	$ -
Total - Nonspendable	$ 37,233	$ -

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fund Equity/Net Assets - continued

	General Fund	Other Governmental Funds
Fund Balances:		
Restricted:		
Fire protection	$ -	$ 11,703
Downtown development	-	5,436
Drug abuse resistance education	-	29,281
Fire code	-	2,964
Total Restricted	$ -	$ 49,384
Committed:		
Special Police Assessment	$ 37,432	$ -
Total Committed	$ 37,432	$ -
Assigned:		
Subsequent year budget shortfall	$ 48,770	$ -
Total Assigned	$ 48,770	$ -

When restricted, committed, assigned and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then committed, assigned, and unassigned in that order as needed.

14. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

The Debt Service Fund deficit balance of $4,568 is a result of matured bonds and interest that have been redeemed. This deficit will be funded by the General Fund when these matured bonds and interest are redeemed.

The Waste Collection Fund deficit balance of $2,132 is a result of all cash being maintained in the Combined Water and Sewer System Fund. This deficit will be funded by the Combined Water and Sewer System Fund.

Budgets

Encumbrance accounting is employed for the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments are reappropriated and honored during the subsequent year. The original General Fund budget expenditures were amended by increasing certain categories by $253,277 and decreasing other categories by $253,277 during the year ended September 30, 2011.

A comparison of the General Fund budget with statements of budgetary basis revenues and expenditures is included in required supplementary information as Schedule 1. This budgetary comparison schedule reflects General Fund expenditures exceeding budgets. See Schedule 1 for General fund expenditures exceeding budgeted amounts.

The notes to required supplementary information budgetary reporting on pages 76 - 77 also provides additional budgetary information.

NOTE C - DEPOSITS AND INVESTMENTS

At September 30, 2011, the cash and investments included the following:

Account Balances		Ownership of Funds	
Petty cash/cash on hand	$ 2,525	Governmental Funds	$ 667,768
Demand deposits	3,081,180	Enterprise Funds	2,546,009
Cash at paying agent	130,072		
	$ 3,213,777		$ 3,213,777

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The pooled collateral is held in the pooled participant's name by The First American National Bank (Category 2 - Collateralized with securities held by the pledging financial institution's agent in the State Treasurer's name). The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the pooling method, the potential exists for undercollateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer for Mississippi enforces strict standards of financial stability for each depository that collateralizes under the Statewide Collateral Pool Program.

At September 30, 2011, the demand deposits held with various local financial institutions had carrying amounts totaling $3,081,180 and bank balances totaling $3,339,724 of which $250,000 was covered by federal depository insurance and $3,089,724 was covered by the Statewide Collateral Pool Program.

The City has designated BancorpSouth Bank as its official depository.

Investments

Mississippi laws address the investment of surplus money by municipalities and the investment of proceeds separately. The investment of surplus money is limited to bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of the state or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or time certificate of deposits in qualified depositories. The City of Booneville's policy is to advertise for the qualified depository that will offer the highest interest rate on all of its deposits.

The City had no investments as of or during the year ended September 30, 2011.

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Interest Rate Risk

The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising for increasing interest rates. The City had no investments during the year and limited its demand deposits during the year to federal depository insured accounts with BancorpSouth Bank.

Credit Risk

State law limits investments to 1) financial institutions insured by FDIC that are members of the Statewide Collateral Pool Program, 2) bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America. The City has no investment policy that would limit its investment choices.

The City's depositories have the following ratings by Standard & Poor's: BancorpSouth Bank (BBB).

Custodial Credit Risks

Custodial credit risk is the risk that the City will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the City's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The City had no investments in negotiable instruments during the year ended September 30, 2011.

Concentration of Credit Risks

The City of Booneville had no investments at September 30, 2011, but had demand deposits with more than 5% of the total in BancorpSouth Bank. These demand deposits represented approximately 100% of total demand deposits.

NOTE D - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 of the following year and are due and payable at that time. All unpaid taxes levied January 1 become delinquent February 1. Property taxes for automotive and mobile homes are collected and remitted to the City by Prentiss County, Mississippi.

Appraised values are established by Prentiss County, Mississippi at 100 percent of estimated market values. The City is required to adopt county tax rolls. The 2010 taxes are collected in December, 2010 and January, 2011. The 2010 taxes are levied to fund the 2010-2011 budget year. The assessed value upon which the 2010 taxes were based was $59,741,597.

City property tax revenue is recorded in governmental funds as receivables and deferred revenues at the time the tax attaches as an enforceable lien which includes the 2011 taxes intended to fund the 2011-2012 budget year of $1,241,804. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

The 2011 taxes of $1,241,804 are also included in deferred revenue and not in current revenues in governmental activities because they are levied to fund the 2011-2012 budget year.

The City assessed a tax rate of 30.15 mills for both the 2010 and 2011 taxes.

NOTE E - RECEIVABLES

Receivables at September 30, 2011 for the government's individual major funds and nonmajor funds, internal service, business-type funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectable accounts, consist of the following:

NOTE E - RECEIVABLES - CONTINUED

	General	Gas System	Water and Sewer System	Nonmajor Funds	Fiduciary	Total
Receivables:						
Taxes	$ 1,398,159	$ -	$ -	$ -	$ 1,661,972	$ 3,060,131
Police fines	463,036	-	-	-	-	463,036
Accounts	-	131,794	198,547	35,490	-	365,831
Franchise fees	31,554	-	-	-	-	31,554
Accrued interest	-	566	-	73,162	-	73,728
Notes receivable	-	28,318	-	743,000	-	771,318
Other	1,662	5,823	1,079	-	-	8,564
Gross receivables	1,894,411	166,501	199,626	851,652	1,661,972	4,774,162
Less: Allowance for uncollectables	(497,901)	(9,169)	(6,431)	(818,639)	(116,845)	(1,448,985)
Net receivables	$ 1,396,510	$ 157,332	$ 193,195	$ 33,013	$ 1,545,127	$ 3,325,177

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance September 30, 2010	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2011
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	$ 1,043,044	$ -	$ -	$ -	$ 1,043,044
Construction in progress	101,335	8,500	-	(101,335)	8,500
Total capital assets not being depreciated	1,144,379	8,500	-	(101,335)	1,051,544
Capital assets being depreciated					
Building and improvements	2,670,533	41,325	-	-	2,711,858
Automotive and equipment	3,479,710	455,967	-	101,335	4,037,012
Infrastructure	1,987,295	-	-	-	1,987,295
Total capital assets being depreciated	8,137,538	497,292	-	101,335	8,736,165
Less accumulated depreciation for					
Buildings	1,311,205	80,697	-	-	1,391,902
Automotive and equipment	2,271,019	218,572	-	-	2,489,591
Infrastructure	405,685	70,849	-	-	476,534
Total accumulated depreciation	3,987,909	370,118	-	-	4,358,027
Total capital assets being depreciated, net	4,149,629	127,174	-	101,335	4,378,138
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 5,294,008	$ 135,674	$ -	$ -	$ 5,429,682

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2010	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2011
BUSINESS-TYPE ACTIVITIES					
GAS SYSTEM					
Capital assets not being depreciated					
Land	$ 32,426	$ -	$ -	$ -	$ 32,426
Construction in progress	277,679	-	-	(277,679)	-
Total capital assets not being depreciated	310,105	-	-	(277,679)	32,426
Capital assets being depreciated					
Building	126,207	20,121	-	-	146,328
Automotive and equipment	513,555	50,483	-	-	564,038
Furniture and office equipment	61,022	1,408	-	-	62,430
Natural gas system	4,228,240	95,422	-	277,679	4,601,341
Total capital assets being depreciated	4,929,024	167,434	-	277,679	5,374,137
Less accumulated depreciation for					
Buildings	67,679	2,984	-	-	70,663
Automotive and equipment	314,410	33,591	-	-	348,001
Furniture and office equipment	51,494	3,034	-	-	54,528
Natural gas system	1,626,246	76,787	-	-	1,703,033
Total accumulated depreciation	2,059,829	116,396	-	-	2,176,225
Total capital assets being depreciated, net	2,869,195	51,038	-	277,679	3,197,912
GAS SYSTEM CAPITAL ASSETS, NET	$ 3,179,300	$ 51,038	$ -	$ -	$ 3,230,338

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2010	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2011
BUSINESS-TYPE ACTIVITIES - CONTINUED					
COMBINED WATER AND SEWER					
Capital assets not being depreciated					
Land	$ 36,626	$ -	$ -	$ -	$ 36,626
Construction in progress	191,772	-	-	(191,772)	-
Total capital assets not being depreciated	228,398	-	-	(191,772)	36,626
Capital assets being depreciated					
Building	44,376	-	-	-	44,376
Automotive and equipment	261,706	68,817	-	-	330,523
Furniture and office equipment	66,242	1,407	-	-	67,649
Water and sewer system	21,996,542	269,077	-	191,772	22,457,391
Total capital assets being depreciated	22,368,866	339,301	-	191,772	22,899,939
Less accumulated depreciation for					
Buildings	15,068	959	-	-	16,027
Automotive and equipment	218,966	22,646	-	-	241,612
Furniture and office equipment	57,311	2,792	-	-	60,103
Water and sewer system	11,217,078	322,425	-	-	11,539,503
Total accumulated depreciation	11,508,423	348,822	-	-	11,857,245
Total capital assets being depreciated, net	10,860,443	(9,521)	-	191,772	11,042,694
Combined Water and Sewer Capital Asset, Net	11,088,841	(9,521)	-	-	11,079,320
BUSINESS-TYPE CAPITAL ASSETS – NET	$ 14,268,141	$ 41,517	$ -	$ -	$ 14,309,658

NOTE F - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities		
General government	$	8,498
Public safety		129,647
Public works		142,330
Culture and recreation		89,643
Total Depreciation Expense - Governmental Activities	$	370,118
Business-Type Activities		
Natural gas	$	116,396
Water and sewer		348,822
Total Depreciation Expense - Business-Type Activities	$	465,218

NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND 125 CAFETERIA PLAN

Other Postemployment Benefits

The City allows its retired employees under COBRA to continue on the City's health care insurance coverage for a period of 18 months (36 months if on medicare). This continuation of coverage is paid entirely by the retired employee. At September 30, 2011, the City has two retired employees participating in their health care insurance coverage.

Due to the history of very few retired employees taking advantage of this benefit and the limited period of coverage, there would be no material cost increase to working employees insurance. The future effect of this other postemployment benefit on the cost of health care insurance cost has not been estimated; therefore, the City has not accrued postemployment benefits in the accompanying financial statements. The City does not expect this liability to be material. It is at least reasonably possible that the City's estimate of no material other postemployment benefits liability could change in the near term.

Defined Benefit Pension Plan

Plan Description

City of Booneville, Mississippi 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.

NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND 125 CAFETERIA PLAN - CONTINUED

Defined Benefit Pension Plan - continued

Plan Description - continued

That information may be obtained by writing the Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy

PERS members are required to contribute 9% of their annual covered salary and City of Booneville, Mississippi is required to contribute at an actuarially determined rate. The current rate is 12.93% of annual covered payroll. The rate prior to June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi legislature. City of Booneville, Mississippi contributions to PERS for the years ending September 30, 2011, 2010, and 2009 were $427,648, $374,384, and $410,161, respectively, equal 100% of the required contributions for each year. The PERS financial statements can be obtained from the State of Mississippi.

125 Cafeteria Plan

Section 125 Cafeteria reduction plan expense for the employees included in the accompanying financial statements totaled $41,695.

NOTE H - LONG-TERM AND SHORT-TERM DEBT

General Long-Term Debt

The City entered into two new capital leases with a total discounted principal amount of $99,698 during the year ended September 30, 2011.

General obligation debt consists of debt issued that is backed by the full faith and credit of the City.

Revenue bonds consist of debt issued by the Combined Water and Sewer System. The gross revenues of the Combined Water and Sewer System Fund and Waste Collection Fund, after deduction of reasonable expenses for operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the Reserve Funds.

Lease obligations payable consist of debt entered into by the City that is collateralized by three 2009 Ford Crown Victoria Poilce cars, two 2011 Ford F450 utility department pickups, two Kubota M7040DTC cab tractors, Pierce Velocity 75' Ladder Truck, a case 580SM backhoe, and a RT80 Ditchwitch backhoe and trailer with attachments.

NOTE H - LONG-TERM AND SHORT-TERM DEBT- CONTINUED

General long-term debt balances and transactions for the year ended September 30, 2011 are as follows:

GOVERNMENTAL ACTIVITIES

	Final Maturity Date	Interest Rate	Beginning Balance 10/1/2010	Additions	Repayments	Ending Balance 9/30/2011	Amounts Due Within One Year
General Obligation Bonds							
General Obligation Public Improvement Bonds – Series 2004	5/19/2019	4.25-5%	$ 1,130,000	$ -	$ 110,000	$ 1,020,000	$ 110,000
Total general obligation bonds			1,130,000	-	110,000	1,020,000	110,000
Lease obligations payable							
BancorpSouth Equipment Finance - Kubota M7040DTC tractor	7/25/2012	4.75%	10,453	-	5,589	4,864	4,864
BancorpSouth Equipment Finance - Kubota M7040DTC tractor	5/20/2011	3.79%	14,199	-	14,199	-	-
Oshkosh Capital 2008 Pierce Vel 75' Ladder Truck	2/19/2015	4.62%	163,164	-	38,070	125,094	39,829
BancorpSouth Equipment Finance - three 2009 Ford Crown Victoria	9/10/2014	3.36%	114,386	-	27,174	87,212	28,101
Total lease obligations payable			302,202	-	85,032	217,170	72,794
Compensated absences	---	---	157,420	19,584	-	177,004	6,563
TOTAL GOVERNMENTAL ACTIVITIES			$ 1,589,622	$ 19,584	$ 195,032	$ 1,414,174	$ 189,357

NOTE H - LONG-TERM AND SHORT-TERM DEBT - CONTINUED

GOVERNMENTAL ACTIVITIES - continued

The principal and interest requirements of the above general obligation debt and lease obligations payable at September 30, 2011 are as follows:

Years Ending	General Obligation Bonds			Lease Obligations Payable		
Sept. 30,	Principal	Interest	Total	Principal	Interest	Total
2012	$ 110,000	$ 44,369	$ 154,369	$ 72,794	$ 8,862	$ 81,656
2013	115,000	39,419	154,419	70,729	5,956	76,685
2014	120,000	34,244	154,244	73,647	3,039	76,686
2015	125,000	28,844	153,844	-	-	-
2016	130,000	23,375	153,375	-	-	-
2017 - 2021	420,000	36,125	456,125	-	-	-
Total	$ 1,020,000	$ 206,376	$ 1,226,376	$ 217,170	$ 17,857	$ 235,027

Specific years for payment of compensated absences are not determinable and are not included in the table above.

The ordinances authorizing the issuance of general obligation bonds creates an interest and sinking fund (General Debt Service Fund). If funds are not available from other sources, the ordinances require the City to ascertain a rate and amount of ad valorem tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The City does not levy taxes for debt service. All governmental activity debt is paid by the General Fund.

BUSINESS-TYPE ACTIVITIES

Business-type short term debt at September 30, 2011 consisted of a $318,701 6.5% financing arrangement with Municipal Gas Authority of Mississippi to finance natural gas stored. The debt had a balance of $488,430 at September 30, 2010 and decreased by $169,729 during the year ended September 30, 2011. This financing arrangement is secured by the natural gas in storage financed by this debt.

CITY OF BOONEVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE H - LONG-TERM AND SHORT-TERM DEBT - CONTINUED

BUSINESS-TYPE ACTIVITIES - continued

	Final Maturity Date	Interest Rate	Beginning Balance 10/1/2010	Additions	Repayments	Ending Balance 9/30/2011	Amounts Due Within One Year
Combined Water and Sewer System Fund:							
Revenue Bonds							
Mississippi Development Bank - Special Obligation Bonds - Series 2002	8/1/2027	3.85 % - 5.25%	$ 6,480,000	$ -	$ 240,000	$ 6,240,000	$ 255,000
Total revenue bonds			6,480,000	-	240,000	6,240,000	255,000
Less unamortized discount and deferred amount of refunding			(103,586)	-	(30,764)	(72,822)	-
Net revenue bonds			6,376,414	-	209,236	6,167,178	255,000
Lease obligations payable							
BancorpSouth Equipment Finance - 2011 Ford F450 pickup	1/25/2014	3.21%	-	37,874	8,105	29,769	12,486
BancorpSouth Equipment Finance - Ford F150 pickup	3/20/2011	3.94%	5,904	-	5,904	-	-
Total lease obligations payable			5,904	37,874	14,009	29,769	12,486
Compensated absences	—	—	32,352	1,059	-	33,411	-
Total combined water and sewer system fund			6,414,670	38,933	223,245	6,230,358	267,486
Gas System Fund							
Lease obligations payable							
BancorpSouth Equipment Finance - 2011 Ford F450 pickup	1/25/2014	3.21%	-	37,874	8,105	29,769	12,486
BancorpSouth Equipment Finance - RT80 Ditchwitch backhoe	7/25/2014	3.36%	84,992	-	20,191	64,801	20,880
BancorpSouth Equipment Finance - Case model 580SM backhoe	11/19/2013	3.05%	-	23,950	-	23,950	7,745
BancorpSouth Equipment Finance - Ford F150 pickup	3/20/2011	3.94%	5,904	-	5,904	-	-
Total lease obligations payable			90,896	61,824	34,200	118,520	41,111
Compensated absences	—	—	11,402	1,496	-	12,898	-
Total gas system fund			102,298	63,320	34,200	131,418	41,111
TOTAL BUSINESS TYPE ACTIVITIES			$ 6,516,968	$ 102,253	$ 257,445	$ 6,361,776	$ 308,597

NOTE H - LONG-TERM AND SHORT-TERM DEBT - CONTINUED

BUSINESS-TYPE ACTIVITIES - continued

The principal and interest requirements of the above revenue bonds and lease obligations payable at September 30, 2011 are as follows:

Years Ending	Revenue Bonds			Lease Obligations Payable		
Sept. 30	Principal	Interest	Total	Principal	Interest	Total
2012	$ 255,000	$ 303,565	$ 558,565	$ 53,597	$ 4,488	$ 58,085
2013	265,000	293,493	558,493	55,359	2,526	57,885
2014	280,000	282,760	562,760	39,333	1,072	40,405
2015	295,000	271,000	566,000	-	-	-
2016	315,000	258,315	573,315	-	-	-
2017 - 2021	1,850,000	1,048,425	2,898,425	-	-	-
2022 - 2026	2,415,000	520,020	2,935,020	-	-	-
2027 - 2031	565,000	28,533	593,533	-	-	-
Total	$ 6,240,000	$ 3,006,111	$ 9,246,111	$ 148,289	$ 8,086	$ 156,375

Specific years for payment of compensated absences are not determinable and are not included in the table above. All Enterprise Fund debt is paid by the fund incurring the debt.

NOTE I - COMPONENTS OF RESTRICTED ASSETS

Enterprise Fund

	Gas System Fund Cash	Combined Water and Sewer System Fund Cash	Combined Water and Sewer System Due from Other Governments	Total
Current Debt Service	$ -	$ 78,442	$ -	$ 78,442
Contingency Reserve	-	5,000	-	5,000
Depreciation Reserve	-	5,000	-	5,000
Customer Deposits	486,618	164,490	-	651,108
Unemployment	13,338	15,682	-	29,020
Grant Construction	-	91,170	32,438	123,608
Total	$ 499,956	$ 359,784	$ 32,438	$ 892,178

NOTE I - COMPONENTS OF RESTRICTED ASSETS - CONTINUED

Enterprise Fund - continued

The ordinances authorizing the Combined Water, Sewer and Solid Waste Disposal System Revenue Bonds require that the City establish the above revenue bond reserves. At September 30, 2011, the revenue bond reserve accounts were sufficient to satisfy such bond ordinance requirements.

NOTE J - INTERFUND TRANSACTION

A summary of interfund receivables and payables at September 30, 2011 is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 1,616
Nonmajor Funds - Other Governmental Funds	1,616	-
Gas System Fund	-	8,749
Combined Water and Sewer System Fund	8,749	-
	$ 10,365	$ 10,365

The General Fund payable of $1,616 represents drug awareness resistance education funds collected by the General Fund during September 2011 not transferred to the Drug Awareness Resistance Education Fund until October 2011. These payables will be reimbursed in 2012. The Gas System Fund payable and the Combined Water and Sewer System Fund receivable of $8,749 represents Gas System fund retirement expense paid by the Combined Water and Sewer System Fund in September 2011 not reimbursed by the Gas System Fund until October 2011.

Transfers between funds during the year were as follows:

	Transfers in	Transfers out
Major Governmental Funds:		
General Fund	$ 1,204,854	$ -
Total Major Governmental Funds	$ 1,204,854	$ -

NOTE J - INTERFUND TRANSACTION - CONTINUED

	Transfers in	Transfers out
Major Enterprise Funds		
Gas System Fund	$ -	$ 1,227,278
Combined Water and Sewer System Fund	49,314	-
Total Major Enterprise Funds	$ 49,314	$ 1,227,278
Nonmajor Governmental Funds	$ 1,499	$ 1,499
Nonmajor Enterprise Funds	-	26,890
Total Nonmajor Funds	$ 1,499	$ 28,389
Total all funds	$ 1,255,667	$ 1,255,667

The General Fund received transfers of $1,204,854 from the Gas System Fund. The $1,204,854 transfer from the Gas System Fund consisted of a $1,157,860 authorized surplus fund transfer and $46,994 General Fund portion of the Internal Service Fund expenditures paid by the Gas System Fund.

The Combined Water and Sewer System Fund received transfers of $49,314 from the Waste Collection Fund and the Gas System Fund. The $26,890 transfer from the Waste Collection Fund resulted from revenues exceeding expenditures and all collections being deposited into the Combined Water and Sewer System Fund. The $22,424 transfer from the Gas System Fund resulted from the Combined Water and Sewer System Fund portion of the Internal Service Fund expenditures being paid by the Natural Gas System.

The transfer to and from the Nonmajor Governmental Funds of $1,499 consist of a transfer from the Fire Protection fund to the Fire Code Fund as a result of funds being deposited into the wrong account in the prior year.

NOTE K - INTERGOVERNMENTAL REVENUES

Intergovernmental revenues include the following:

Major Governmental Funds

General Fund	
Fire protection – Prentiss County	$ 36,500
Municipal aid – revolving fund and gasoline tax – State of Mississippi	15,944
Homestead exemption – State of Mississippi	130,896
TVA and other payments in lieu of taxes	208,554

NOTE K - INTERGOVERNMENTAL REVENUES - CONTINUED

Major Governmental Funds - continued

General Fund - continued	
Advalorem privilege tax – Prentiss County	$ 21,872
Road tax – Prentiss County	57,941
Solid waste – District	30,496
Police Academy – State of Mississippi	287
CDBG – Park Grant	100,000
Homeland Security – Federal	50,000
Department of Transportation – Street Lights – Federal	295,677
Total General Fund	$ 948,167

Nonmajor Governmental Funds

Special Revenue Funds	
Fire Code Fund	
Fire Code – State of Mississippi	$ 1,462
Fire Protection Fund	
Fire Protection – State of Mississippi	43,394
Total Nonmajor Governmental Funds	44,856
Total Governmental Funds	$ 993,023

NOTE L - LEASES

Capital Leases

The City has entered into various capital lease agreements for capital assets under which they will become the property of the City when all terms of the lease agreement are met. The following schedules present the future minimum lease payments as of September 30, 2011.

NOTE L - LEASES - CONTINUED

Capital Leases - continued

Governmental Activities

Minimum lease payments	Kubota Tractor M7040DTC	2008 Pierce Velocity 75' Ladder Truck	Three 2009 Crown Victoria Police Cars	Total
Years Ending September 30,				
2012	$ 4,971	$ 45,609	$ 31,077	$ 81,657
2013	-	45,609	31,077	76,686
2014	-	45,609	31,077	76,686
	4,971	136,827	93,231	235,029
Less: amounts representing interest	(107)	(11,733)	(6,019)	(17,859)
Present value of minimum lease payments	$ 4,864	$ 125,094	$ 87,212	$ 217,170

See Note H for interest rates used to compute amounts representing interest and other information pertaining to capital lease transactions.

Capital assets and related accumulated amortization under capital leases are as follows:

	Kubota Tractor M7040DTC	2008 Pierce Velocity 75' Ladder Truck	Three 2009 Crown Victoria Police Cars	Total
Capital asset discounted cost	$ 26,500	$ 574,997	$ 114,386	$ 715,883
Less: accumulated amortization	(11,130)	(187,009)	(25,385)	(223,524)
Total	$ 15,370	$ 387,988	$ 89,001	$ 492,359

Amortization of leased equipment under capital assets is included with depreciation.

NOTE L - LEASES - CONTINUED

Capital Leases - continued

Business-Type Activities

Minimum lease payments	Case Backhoe 580SM	Ditchwitch Tractor Backhoe DW RT80	Two Ford F450 Pickups	Total
Years Ending September 30,				
2012	$ 8,475	$ 23,091	$ 26,518	$ 58,084
2013	8,475	23,091	26,518	58,084
2014	8,475	23,091	8,839	40,405
	25,425	69,273	61,875	156,573
Less: amounts representing interest	(1,475)	(4,472)	(2,337)	(8,284)
Present value of minimum lease payments	$ 23,950	$ 64,801	$ 59,538	$ 148,289

See Note H for interest rates used to compute amounts representing interest and other information pertaining to capital lease transactions.

Capital assets and related accumulated amortization under capital leases are as follows:

	Case Backhoe 580SM	Ditchwitch Tractor Backhoe DW RT80	Two Ford F450 Pickups	Total
Capital asset discounted cost	$ 48,950	$ 84,992	$ 78,893	$ 212,835
Less: accumulated amortization	(4,684)	(15,298)	(11,834)	(31,816)
Total	$ 44,266	$ 69,694	$ 67,059	$ 181,019

Amortization of leased equipment under capital assets is included with depreciation.

NOTE L - LEASES - CONTINUED

Governmental Activities and Business-Type Activities - continued

Operating Lease

During the year ended September 30, 2011, the City General Fund paid rent for office equipment totaling $2,640. At September 30, 2011, the City General Fund was obligated to rent this office equipment during the years ended September 30, as follows: 2012 $2,868, 2013 $2,868, 2014 $2,118, 2015 $342, and 2016 $0.

During the year ended September 30, 2011, the City Enterprise Fund paid rent for office equipment totaling $1,968. At September 30, 2011, the City Enterprise Fund was obligated to rent this office equipment during the years ended September 30, as follows: 2012 $1,968, 2013 $1,968, 2014 $1,968, 2015 $0, and 2016 $0.

During the year ended September 30, 2011, the City Enterprise Fund paid rent for aerators at the sewer treatment plant totaling $34,800. This contract provides for a 90 day notice of termination; therefore, the minimum amount payable under this contract was $8,700.

NOTE M - AD VALOREM TAXES LEVIED FOR THE BENEFIT OF OTHER GOVERNING AUTHORITIES

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. As provided, the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it.

Ad valorem taxes collected and settled in accordance with this legal requirement are not recognized as revenues and expenditures of the City. They are accounted for as an agency fund. For the reported fiscal year the following ad valorem tax levies were established for the Booneville Separate School District in accordance with this legal requirement.

Purpose of Levy	Mills
General district expense	39.200
Bonded indebtedness	7.590
Other debt	2.210
	49.000

NOTE N - NON COMPLIANCE WITH STATE LAW REVENUE BOND REQUIREMENTS AND GRANT REQUIREMENTS

The City did not comply with all the requirements of the State Department of Audit or grant and loan requirements as set forth in the Municipal Compliance Questionnaire and grant and loan contracts. The results of our tests disclosed the instances of noncompliance listed on the schedule of findings and responses on pages 90 - 106. The ultimate resolution of these findings cannot presently be determined. Accordingly, no provision for any liability, if any, that may result has been recognized in the accompanying financial statements.

NOTE O - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Certain segmented information for the individual Enterprise Funds is included on Statement 5, Statement 6, and Statement 7. The capital asset activity for each individual Enterprise Fund is included in Note F. The Schedule of Changes in Long - Term Debt for each individual Enterprise Fund is included in Note H.

The individual Enterprise Funds have the following types of goods or services:

Gas System - Provide natural gas to its citizens and surrounding areas.

Combined Water and Sewer System - Provide water and sewer services to its citizens.

Waste Collection System - Provide waste collection services to its citizens.

The individual Enterprise Funds have the following net working capital (deficit) (current assets less current liabilities) at September 30, 2011:

Gas System	$ 693,263
Combined Water and Sewer System	298,605
Waste Collection System	(2,132)
Total	$ 989,736

Enterprise Funds operate in the City of Booneville, Mississippi geographic area. Their revenues are subject to the economic conditions of Booneville, Mississippi. At September 30, 2011, the Gas System Fund had extended credit to customers totaling $122,625 and to others totaling $34,707. Gas System Fund receivables are secured by customer deposits totaling $469,132. No other collateral has been obtained.

At September 30, 2011, the Combined Water and Sewer System Fund had extended credit to customers totaling $192,116 and to others totaling $1,079. Combined Water and Sewer System Fund receivables are secured by customer deposits totaling $165,565. No other collateral has been obtained. At September 30, 2011, the Nonmajor Enterprise Fund had extended credit to customers totaling $33,013. The Nonmajor Enterprise Fund receivables are not secured.

NOTE O - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

Gas System Fund accounts payable - operations consist mainly of $87,633 for natural gas purchases. The Combined Water and Sewer System Fund accounts payable - operations consist mainly of $20,582 for repairs and supply parts and $20,297 for electricity. The Nonmajor Enterprise Fund accounts payable – operations consist of $35,145 for contract waste collection and dumping fees.

NOTE P - RELATED PARTY TRANSACTIONS

The City had no material related party transactions during the current year.

NOTE Q - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Litigation

The City has received a tort claims letter, but no suit filed to date, alleging a citizen was hit by a City vehicle. The City has received a tort claims letter, but no suit filed to date, alleging a City policeman, while acting under the colors of law, abused his authority and violated a citizens civil rights. A City policeman was also involved in a domestic violence call resulting in a citizen being shot and killed. No tort claim letter nor any other communications has been received by the City that a lawsuit has been filed. The City is also involved in two workers compensation claims. The amount of liability if any, associated with these claims is covered by insurance up to $1,000,000 but is presently unknown; therefore, the accompanying financial statements do not include any liabilities associated with these claims. It is at least reasonably possible that the City's estimate of claims liability could change in the near term.

Loan Agreements

The loan agreement requires the City to produce cash flows that exceed 105% of the debt service payments. The cash flows for the water and sewer fund and the waste collection fund exceeded this requirement.

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency.

The amount of any disallowance of grant expenditures, if any, is unknown; therefore, the accompanying financial statements do not include any liability for such disallowances. In the opinion of City management, such disallowances, if any, will not be significant.

NOTE Q - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES - CONTINUED

Natural Gas Purchase Contract

The City has entered into various contracts to purchase natural gas at specified quantities and specified rates. They are as follows:

Date Committed	MMBTU	Price per MMBTU
November, 2011	10,000	$ 4.7100
December, 2011	10,000	4.7100
January, 2012	10,000	4.7100
February, 2012	10,000	4.7100
March, 2012	10,000	4.7100

These natural gas purchase commitments were entered into through Municipal Gas Authority of Mississippi to lock in fixed prices for natural gas to be delivered to the City for sale to customers at future dates. As of September 30, 2011, the fair value of the transactions was a liability of $35,500 for the City, which is not recorded in the financial statements.

The City plans to set future natural gas rates at a rate that will cover the cost of natural gas, distribution thereof, and other operating costs; therefore the City will not experience a loss on this contract due to a change in market value. The City has the following risks associated with these natural gas purchase commitments:

Credit Risk - The City is exposed to the risk that the counterparty is unable to fulfill its obligation to the City resulting in the City having to purchase natural gas at market prices instead of at a fixed price.

Basis Risk - The City pays fixed prices for the purchase of natural gas.

Termination Risk - These natural gas purchase commitments do not contain any extraordinary termination events or triggers that would expose the City to termination risk.

The City had no risks associated with interest rate risk, rollover risk, market access risk or foreign currency risk.

Maintenance Contracts

The City has entered into contracts to provide long-term water tank repainting and maintenance for a 200,000 gallon elevated water tank and three 500,000 gallon elevated water tanks.

The 200,000 gallon elevated water tank contract requires annual payments of $5,928 beginning December 15, 2003. The fee will remain constant for the first 10 years of the agreement and adjusted to reflect the current cost of service five years thereafter. This contract is not subject to cancellation for the first year, and can be cancelled only by the owner if notice of cancellation is made prior to October 30, of each subsequent year. The future minimum payments under this contract is $5,928 for the year ending September 30, 2012.

NOTE Q - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES - CONTINUED

Maintenance Contracts - continued

The two 500,000 gallon elevated water tank contract requires an annual payment of $16,716 on October 15 of each year until 2014. The fee will be adjusted to reflect the current cost of service on October 15, 2014 and each five years thereafter. This contract is not subject to cancellation for the first year, and can be cancelled only by the owner if notice of cancellation is made prior to October 30, of each subsequent year. The future minimum payments under this contract is $16,716 for the year ending September 30, 2012.

The 500,000 gallon elevated water tank contract requires an annual payment of $8,795 on December 15 of each year until 2014. The fee will be adjusted to reflect the current cost of service on December 15, 2015 and each five years thereafter. This contract is not subject to cancellation for the first year, and can be cancelled only by the owner if notice of cancellation is made prior to October 30, of each subsequent year. The future minimum payments under this contract is $8,795 for the year ending September 30, 2012.

Joint Ventures

The City is a member of the Northeast Mississippi Solid Waste Management Authority and could be liable for future landfill post closure costs if the contractor does not comply with his contract. Northeast Mississippi Solid Waste Management Authority has informed the City that the contractor has provided a liability policy to ensure all future landfill post closure costs are provided. City management expects the contractor to provide all future post closure costs; therefore, no solid waste post closure liability is included on the accompanying financial statements.

Other Commitments

Subsequent to year end the City entered into a $257,008 HUD grant to demolish and reconstruct three home owner units, an approximate $200,000 STP grant with a 20 percent local match requirement for the Jefferson Street Project and an approximate $200,000 STP grant with a 20 percent local match for the Parker Street Project.

Subsequent to year end the City issued $2,000,000 of Combined Water and Sewer System Fund bonds. These bonds bear interest at 2.736639 percent. The proceeds of these bonds will be used for sewer improvement.

NOTE R - DONATED SERVICES

During the year ended September 30, 2011, the following utilities were not charged for:

	Natural Gas	Water and Sewer
City of Booneville	$ 34,203	$ 189,020
National Guard Armory	2,605	544
Booneville Municipal Separate School System	30,000	-
Total	$ 66,808	$ 189,564

NOTE S - JOINT VENTURE

Booneville/Baldwyn Airport operates a local airport in Prentiss County, Mississippi. Its board of directors is comprised of one director appointed by the City of Booneville, Mississippi, one director appointed by the City of Baldwyn, Mississippi, and one director appointed by Prentiss County, Mississippi. The Booneville/Baldwyn Airport does not issue a separate financial statement. All financial transactions are handled as a part of Prentiss County, Mississippi's transactions. City of Booneville paid Prentiss County, Mississippi $11,333 during the year for its share of the Booneville/Baldwyn Airport expenditures. The City's equity interest in the Booneville/Baldwyn Airport approximates zero; therefore, the investment in this joint venture is not reflected in the government-wide financial statements.

Northeast Mississippi Solid Waste Management Authority owns a landfill and contracts out operations and receives royalties from the contractor based on tonnage dumped. This is a joint venture comprising the Mississippi cities of Booneville and Ripley and the Mississippi counties of Benton, Prentiss, and Tippah. Each member appoints one director. The Northeast Mississippi Solid Waste Management Authority's financial statements are available by request from the Authority at P. O. Box 320, Booneville, MS 38829. The City received rebates from the Authority totaling $30,496 during the year ended September 30, 2011.

Due to the landfill development being financed by federal grants and royalties received being disbursed frequently, the City's equity interest would not be material; therefore, the investment in this joint venture is not reflected in the government-wide financial statements.

NOTE T - ECONOMIC DEPENDENCE

The City purchases natural gas and stores this natural gas at Tenneco, Inc. for use when prices are higher. If the City were unable to store this natural gas at Tenneco, Inc., gas purchased during the winter months could cost considerably more, which would substantially decrease profits. The City is subject to variance in the cost of natural gas. If the City does not increase natural gas rates comparable to increases in the cost of natural gas, there would be a substantial reduction in Proprietary Fund revenues.

NOTE U - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

Significant losses are covered by commercial insurance for all major programs except unemployment for the Enterprise Funds. The City has segregated cash and reserved $13,338 for the Gas System Fund net assets and $15,682 for the Combined Water and Sewer System Fund net assets for future unemployment charges. There were no material unemployment charges to these funds during the current year or the three previous years.

The City is a member of the Mississippi Municipal Service Company which provides general liability and worker's compensation. The City pays insurance premiums based on experience ratios. Settlement amounts have not exceeded insurance coverage for the current or three prior years. There was one outstanding open claim at September 30, 2011. No liability has been recognized for the open claim due to it being covered by the plan.

NOTE V - NET ASSETS

The Government-wide statement of net assets reports $114,387 of restricted net assets, of which $0 is restricted by enabling legislation.

NOTE W - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the City. The statements which might impact the City are as follows:

Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans issued in December 2009, and will become effective for the fiscal year ending September 30, 2012. The objective of this statement is to address issues related to the use of alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer and other post employment benefit (OPEB plans that is, agent employers).

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements issued in November 2010, and will become effective for the fiscal year ending September 30, 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, a SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

NOTE W - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS - CONTINUED

Statement No. 61, The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34 issued in November 2010, and will become effective for the fiscal year ending September 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

Statement No. 62, A Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued in December, 2010, and will become effective for the fiscal year ending September 30, 2013. The objective of this statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position issued in June 2011, and will become effective for the fiscal year ending September 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of FASB Statement No. 53 issued in June 2011 and will become effective for the fiscal year ending September 30, 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

Schedule 1

CITY OF BOONEVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2011

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Total	
REVENUES						
Ad valorem taxes, penalties and interest	$ 1,900,000	$ 1,900,000	$ 1,432,649	$ (1,995)	$ 1,430,654	$ 469,346
Franchise taxes	171,000	171,000	209,300	(3,635)	205,665	(34,665)
Municipal sales tax	1,700,000	1,700,000	1,705,131	(8,563)	1,696,568	3,432
Permits, fees, and privilege tax	-	-	39,083	-	39,083	(39,083)
Municipal court fines and bond fees	275,000	275,000	145,505	13,381	158,886	116,114
Intergovernmental revenues	418,500	418,500	948,167	10,698	958,865	(540,365)
Interest income	-	-	3,553	-	3,553	(3,553)
Charge for services	102,000	102,000	122,967	184	123,151	(21,151)
Collection fees	-	-	76,150	-	76,150	(76,150)
Donations	400	400	650	(428)	222	178
Other	88,000	88,000	36,190	179	36,369	51,631
Total revenues	4,654,900	4,654,900	4,719,345	9,821	4,729,166	(74,266)
EXPENDITURES						
General Government						
Personnel services	525,047	565,324	533,422	1,167	534,589	30,735
Supplies	24,500	24,500	22,306	50	22,356	2,144
Other services and charges	296,600	296,600	145,381	56,123	201,504	95,096
Capital outlay	5,000	5,000	5,299	-	5,299	(299)
Total	$ 851,147	$ 891,424	$ 706,408	$ 57,340	$ 763,748	$ 127,676

Schedule 1

CITY OF BOONEVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2011

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Total	
EXPENDITURES - continued						
Public Safety - Fire						
Personnel services	$ 1,279,427	$ 1,319,427	$ 1,347,087	$ (2,276)	$ 1,344,811	$ (25,384)
Supplies	52,000	52,000	52,641	588	53,229	(1,229)
Other services and charges	66,600	66,600	84,815	(9,335)	75,480	(8,880)
Capital outlay	88,180	48,180	11,451	2,448	13,899	34,281
Total	1,486,207	1,486,207	1,495,994	(8,575)	1,487,419	(1,212)
Public Safety - Police						
Personnel services	1,225,204	1,225,204	1,240,114	(2,575)	1,237,539	(12,335)
Supplies	109,000	109,000	123,165	497	123,662	(14,662)
Other services and charges	272,800	272,800	237,607	(20,950)	216,657	56,143
Debt service	-	-	45,823	(45,823)	-	-
Capital outlay	39,272	39,272	55,528	45,823	101,351	(62,079)
Total	1,646,276	1,646,276	1,702,237	(23,028)	1,679,209	(32,933)
Public Property						
Personnel services	123,329	158,329	123,824	(7,849)	115,975	42,354
Supplies	28,500	43,500	38,977	(582)	38,395	5,105
Other services and charges	112,100	137,100	142,189	(1,643)	140,546	(3,446)
Capital outlay	78,000	3,000	500	54,320	54,820	(51,820)
Total	$ 341,929	$ 341,929	$ 305,490	$ 44,246	$ 349,736	$ (7,807)

Schedule 1

CITY OF BOONEVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2011

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Total	
EXPENDITURES - continued						
Street						
Personnel services	$ 420,065	$ 455,065	$ 449,723	$ (4,021)	$ 445,702	$ 9,363
Supplies	126,000	141,000	150,627	1,259	151,886	(10,886)
Other services and charges	304,750	254,750	221,691	(11,062)	210,629	44,121
Debt service	161,000	161,000	166,313	(5,965)	160,348	652
Capital outlay	68,500	68,500	306,077	4,065	310,142	(241,642)
Total	1,080,315	1,080,315	1,294,431	(15,724)	1,278,707	(198,392)
Park Operations						
Personnel services	134,804	156,804	162,510	(3,266)	159,244	(2,440)
Supplies	47,500	47,500	43,974	1,006	44,980	2,520
Other services and charges	7,100	10,100	10,677	(322)	10,355	(255)
Capital outlay	3,000	-	111,776	-	111,776	(111,776)
Total	192,404	214,404	328,937	(2,582)	326,355	(111,951)
Park Maintenance						
Personnel services	192,978	192,978	202,135	(3,266)	198,869	(5,891)
Supplies	58,200	81,200	83,580	171	83,751	(2,551)
Other services and charges	59,800	59,800	75,097	(5,260)	69,837	(10,037)
Capital outlay	105,277	20,000	18,515	-	18,515	1,485
Total	$ 416,255	$ 353,978	$ 379,327	$ (8,355)	$ 370,972	$ (16,994)

Schedule 1

CITY OF BOONEVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2011

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Total	
EXPENDITURES - continued						
Economic Development						
Other services and charges	$ -	$ -	$ 68,595	$ (68,595)	$ -	$ -
Total	-	-	68,595	(68,595)	-	-
Total expenditures	6,014,533	6,014,533	6,281,419	(25,273)	6,256,146	(241,613)
Excess (deficit) of revenues over (under) expenditures	(1,359,633)	(1,359,633)	(1,562,074)	35,094	(1,526,980)	167,347
OTHER FINANCING SOURCES (USES)						
Non-revenue receipts	-	-	34,138	-	34,138	(34,138)
Operating transfers in	1,260,000	1,260,000	1,204,854	(46,994)	1,157,860	102,140
Total other financing sources (uses)	1,260,000	1,260,000	1,238,992	(46,994)	1,191,998	68,002
Excess (deficit) of revenues and other financing sources over (under) expenditures and sources over (under) expenditures and other uses	(99,633)	(99,633)	(323,082)	(11,900)	(334,982)	235,349
Fund balances - beginning of year	970,027	970,027	970,027	-	970,027	-
Fund balances - end of year	$ 870,394	$ 870,394	$ 646,945	$ (11,900)	$ 635,045	$ 235,349

Schedule 1

CITY OF BOONEVILLE, MISSISSIPPI
Notes to Required Supplementary Information Budgetary Reporting
For the fiscal year ended September 30, 2011

BUDGETARY INFORMATION

NOTE A: The City is legally subject to the budgetary control requirements of the State of Mississippi. The City follows the following procedures in establishing the budgetary comparison schedule:

A. Prior to September 1, the City Clerk submits to the Board of Alderman a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The State of Mississippi requires at a minimum expenditures be adopted in four categories (personnel services, supplies, other services and charges, and capital outlays).
B. Public hearings are conducted to obtain taxpayer comments.
C. Prior to September 15, the budget is legally enacted through passage of an ordinance.
D. The budget must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
E. The budget must be amended when necessary.
F. Debt cannot be entered into unless permitted by law.
G. Expenditures, except for capital outlays, cannot exceed budget appropriations.
H. Expenditures cannot be made unless authorized in the budget.
I. Appropriations lapse at the end of each fiscal year.

NOTE B: Budgets are adopted on a modified cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires the budgetary comparison schedule be prepared according to budgetary laws, which is the modified cash basis (GAAP).

NOTE C: The following is a list of the excess of expenditures over appropriations for individual funds not included in the budgetary comparisons:

Fund/Category	Amount	Fund/Category	Amount
Gas System Fund - supplies	$ 74,383	Downtown Development - supplies	1,500
Downtown Development - other services and charges	2,216	Fire Protection - capital outlays	33

Schedule 1

CITY OF BOONEVILLE, MISSISSIPPI
Notes to Required Supplementary Information Budgetary Reporting
For the fiscal year ended September 30, 2011

BUDGETARY INFORMATION - CONTINUED

NOTE D: The following provides details for General Fund adjustments to budgetary basis from actual:

Revenues	
Deferred revenues	$ 36,003
Receivables	(34,616)
Payables	8,434
Total	9,821
Expenditures	
Accounts payable paid after 30 days	40,868
Accrued liabilities paid after 30 days	(23,976)
Prepaid expenses	2,939
Vacation accrual paid after 30 days	1,890
Reclassification of $47,337 capital lease from debt service to capital outlay	-
Reclassification of $68,595 economic development other services and charges budgeted in general government other services and charges	-
Internal Service Fund expenses budgeted on Gas System Fund included in expense on actual	(46,994)
Total	(25,273)
Other Financing Sources (Uses)	
Capital lease proceeds included in actual but not budget	-
Internal Service Fund expenses budgeted on Gas System Fund included in transfers on actual	(46,994)
Total	(46,994)
Net difference in budgetary basis and actual	$ (11,900)

Schedule 2

CITY OF BOONEVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Balance Sheets
September 30, 2011

ASSETS	Fire Protection	Downtown Development	Drug Abuse Resistance Education	Home Loan Program	Fire Code	Debt Service Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 11,703	$ 5,436	$ 27,665	$ -	$ 2,964	$ -	$ 47,768
Due from other funds	-	-	1,616	-	-	-	1,616
Notes receivable - long-term net of allowance for uncollectables see Note E	-	-	-	-	-	-	-
Total assets and other debits	$ 11,703	$ 5,436	$ 29,281	$ -	$ 2,964	$ -	$ 49,384
LIABILITIES							
Matured interest payable	$ -	$ -	$ -	$ -	$ -	$ 568	$ 568
Matured revenue bonds payable	-	-	-	-	-	4,000	4,000
Total liabilities	-	-	-	-	-	4,568	4,568
FUND BALANCES							
Restricted	11,703	5,436	29,281	-	2,964	-	49,384
Unassigned	-	-	-	-	-	(4,568)	(4,568)
Total fund balance	11,703	5,436	29,281	-	2,964	(4,568)	44,816
Total liabilities and fund balances	$ 11,703	$ 5,436	$ 29,281	$ -	$ 2,964	$ -	$ 49,384

Schedule 3

CITY OF BOONEVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2011

	Fire Protection	Downtown Development	Drug Abuse Resistance Education	Home Loan Program	Fire Code	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES							
Municipal court fines and bond fees	$ -	$ -	$ 11,412	$ -	$ -	$ -	$ 11,412
Intergovernmental revenues	43,394	-	-	-	1,462	-	44,856
Interest income	74	79	117	-	3	-	273
Total revenues	43,468	79	11,529	-	1,465	-	56,541
EXPENDITURES							
Current							
Public safety	-	-	2,122	-	-	-	2,122
Economic development	-	3,716	-	-	-	-	3,716
Capital outlay	-	-	935	-	-	-	935
Debt Service							
Principal retirement - general obligation	38,071	-	-	-	-	-	38,071
Interest and paying agent	7,538	-	-	-	-	-	7,538
Total expenditures	45,609	3,716	3,057	-	-	-	52,382
Excess (deficit) of revenues over (under) expenditures	$ (2,141)	$ (3,637)	$ 8,472	$ -	$ 1,465	$ -	$ 4,159

Schedule 3

CITY OF BOONEVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2011

	Fire Protection	Downtown Development	Drug Abuse Resistance Education	Home Loan Program	Fire Code	Debt Service Fund	Total Nonmajor Governmental Funds
Operating transfers in	$ -	$ -	$ -	$ -	$ 1,499	$ -	$ 1,499
Operating transfers out	(1,499)	-	-	-	-	-	(1,499)
Total other financing sources (uses)	(1,499)	-	-	-	1,499	-	-
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	(3,640)	(3,637)	8,472	-	2,964	-	4,159
Fund balance - beginning of year	15,343	9,073	20,809	-	-	(4,568)	40,657
Fund balance - end of year	$ 11,703	$ 5,436	$ 29,281	-	$ 2,964	$ (4,568)	$ 44,816

Schedule 4

CITY OF BOONEVILLE, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2011

Name	Position	Amount	Insurance Company	Expiration Date
Joe Eaton	Mayor	$ 100,000	MS Muni Bond Program	7/6/2012
David Bolen	Alderperson	100,000	MS Muni Bond Program	7/6/2012
Harold Eaton	Alderperson	100,000	MS Muni Bond Program	7/6/2012
Mark McCoy	Alderperson	100,000	MS Muni Bond Program	7/6/2012
Wilda Pounds	Alderperson	100,000	MS Muni Bond Program	7/6/2012
Jeff Williams	Alderperson	100,000	MS Muni Bond Program	7/6/2012
Lavaille Shields	City Clerk	100,000	Brierfield Ins. Co.	1/11/2012
Rebecca B. Lambert	Deputy City Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Janet Boren	Manager's Assistant	50,000	Brierfield Ins. Co.	3/10/2012
Valeria Colette Gardner	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Kayla Manley	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Amanda Bland	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Melissa Harris	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Ronell Moore	Animal Control Officer	50,000	Brierfield Ins. Co.	3/10/2012
Jana Lindsey	Clerk	50,000	Brierfield Ins. Co.	3/11/2012
Tim Holloway	Park Manager	50,000	Brierfield Ins. Co.	3/10/2012
Brent Mauney	Department Head	50,000	Brierfield Ins. Co.	3/10/2012
William C McQueen	Department Head	50,000	Brierfield Ins. Co.	3/10/2012
Sharon Windham	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
John T Sanders	Department Head	50,000	Brierfield Ins. Co.	3/10/2012
Lacinda Steward	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Micki Breedlove	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Angie Donald	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Lacey Hill	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Mitzi Stennett	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Teneisha Shinault	Clerk	50,000	Brierfield Ins. Co.	3/10/2012
Steve Bingham	Chief of Police	100,000	Brierfield Ins. Co.	11/19/2011
Rhonda Jean Todd	Deputy Court Clerk	50,000	Travelers Casualty	6/23/2012

CITY OF BOONEVILLE, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the fiscal year ended September 30, 2011

Federal Grantor/Pass-through Grantor Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Beginning (Accrued) Deferred	Cash Receipts	Program Income	Expenditures	Ending (Accrued) Deferred
Pass-thru Programs							
U.S. Department of Housing and Urban Development							
Pass-through programs from Mississippi Development Authority							
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	1126-09-CDBG-SLG	$ -	$ 60,115	$ -	$ 100,000	$ (39,885)
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	1124-07-126-EM-01	-	94,357	-	95,857	(1,500)
Total U.S. Department of Housing and Urban Development			-	154,472	-	195,857	(41,385)
U.S. Department of Transportation - ARRA							
Pass-through programs from Mississippi Department of Transportation - ARRA							
ARRA - Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STP-9629-00(002) LPA/105640-701000	(7,686)	303,363	162	297,577	(1,738)
Total U.S. Department of Transportation - ARRA			(7,686)	303,363	162	297,577	(1,738)
Appalacian Regional Commission							
Pass-through programs from Tennessee Valley Authority							
Appalachian Area Development	23.002	ARC MS-15881-302-08 TVA 71577	(57,760)	105,677	-	51,478	(3,561)
Total Appalacian Regional Commission			(57,760)	105,677	-	51,478	(3,561)
U.S. Department of Homeland Security							
Pass-through programs from Mississippi Emergency Management Agency							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	117-07780-00 FEMA-1919-DR-MS	(59,612)	30,328	-	7,985	(37,269)
Pass-through programs from Mississippi Department of Public Safety Office of Homeland Security							
Homeland Security Grant Program	97.067	10LE126	-	50,000	-	50,000	-
Total U.S. Department of Homeland Security			(59,612)	80,328	-	57,985	(37,269)
Total Federal Awards			$ (125,058)	$ 643,840	$ 162	$ 602,897	$ (83,953)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BOONEVILLE, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the fiscal year ended September 30, 2011

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the City's federal grant programs presented on the modified accrual basis for governmental funds and on the accrual basis for enterprise funds. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

JONES & JONES

CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.

Kermit V. Jones Jr., C.P.A. *Christopher D. Jones, C.P.A.* *Jeremy D. Jones, C.P.A.* *David W. Jones, C.P.A.*

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*

To the Mayor and Board of Alderpersons
City of Booneville, Mississippi

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Booneville, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Booneville, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Booneville, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. They are labeled as items 1, 2, 3, and 4.

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Internal Control Over Financial Reporting – continued

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. They are labeled as items 5, 6, 7, 8, and 9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Booneville, Mississippi'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 10, 11, 12, and 13.

We noted certain other matters that we reported to management of City of Booneville, Mississippi, in a separate letter dated June 18, 2012.

City of Booneville, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Booneville, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Alderpersons, others within the entity, State of Mississippi Department of Audit, 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

Sincerely yours,

JONES & JONES
Certified Public Accountants
of Booneville, PA

June 18, 2012

JONES & JONES

CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.

Kermit V. Jones Jr., C.P.A. *Christopher D. Jones, C.P.A.* *Jeremy D. Jones, C.P.A.* *David W. Jones, C.P.A.*

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderpersons
City of Booneville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Booneville, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the City of Booneville, Mississippi's basic financial statements and have issued our report thereon dated June 18, 2012. We have 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.

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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements disclosed material instances of noncompliance with state laws and regulations and which are described in the accompanying schedule of findings and responses as items 12, 13, and 14.

The instances of noncompliance of the prior year have been corrected by management as discussed in the accompanying schedule of results of prior year findings or otherwise included in the above noted findings and responses.

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

This report is intended solely for the information and use of management, Board of Alderpersons, others within the entity, State of Mississippi Department of Audit, 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

Sincerely yours,

June 18, 2012

JONES & JONES
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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

To the Mayor and Board of Alderpersons
City of Booneville, Mississippi

Compliance

We have audited City of Booneville, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Booneville, Mississippi's major federal programs for the year ended September 30, 2011. City of Booneville, Mississippi'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 City of Booneville, Mississippi's management. Our responsibility is to express an opinion on City of Booneville, Mississippi'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 City of Booneville, Mississippi'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 City of Booneville, Mississippi's compliance with those requirements.

As described in item 2011-7 in the accompanying schedule of findings and questioned costs, City of Booneville, Mississippi, did not comply with requirements regarding cash management that are applicable to its CFDA Number 20.205 U.S. Department of Transportation, ARRA Highway Planning and Construction (Federal Highway Program). Compliance with such requirements is necessary, in our opinion, for City of Booneville, Mississippi, to comply with the requirements applicable to that program.

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In our opinion, except for the noncompliance described in the preceding paragraph, City of Booneville, Mississippi, 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 September 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-8.

Internal Control Over Compliance

Management of City of Booneville, Mississippi, 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 City of Booneville, Mississippi'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 City of Booneville, Mississippi's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-3, 2011-4, 2011-5, and 2011-6 to be significant deficiencies.

City of Booneville, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Booneville, Mississippi's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Alderpersons, others within the entity, State of Mississippi Department of Audit, 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.

Sincerely yours,

JONES & JONES
Certified Public Accountants
of Booneville, PA

June 18, 2012

CITY OF BOONEVILLE, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the fiscal year ended September 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report states that an unqualified opinion was issued on the governmental activities, the business type activities, each major fund (general fund, gas system fund, and combined water and sewer system fund), and the aggregate remaining fund information.

2. Four material weaknesses and five additional significant deficiencies disclosed during the audit of the financial statements are reported in the 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.*

3. Four instances of noncompliance material to the financial statements of City of Booneville, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. Two material weaknesses and four additional significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 are reported.

5. The auditor's report on compliance for the major federal award programs for City of Booneville, Mississippi expresses an unqualified opinion on CFDA number 97.067 U. S. Department of Homeland Security Homeland Security Grant Program and a qualified opinion on CFDA number 20.205 U.S. Department of Transportation ARRA Highway Planning and Construction (Federal Aid Highway Program).

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The program tested as a major program included CFDA number 20.205 U.S. Department of Transportation ARRA Highway Planning and Construction (Federal Aid Highway Program) and CFDA number 97.067 U. S. Department of Homeland Security Homeland Security Grant Program.

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. City of Booneville, Mississippi did not qualify as a low-risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENT

MATERIAL WEAKNESSES

1. Segregation of Duties

Condition: The City does not have an adequate segregation of duties among accounting functions.

Criteria: Internal controls should be in place to require a segregation of duties among accounting functions.

Effect: The City has two bookkeepers who maintain general ledgers, collect cash, write and sign checks. The City has two court clerks who handle court fine billings, receivables and collections. This lack of segregation of duties could result in misappropriation of funds that would not be timely discovered.

Cause: The City does not have enough personnel to have an adequate segregation of duties.

Recommendation: The City should have a segregation of duties among accounting functions; however, we recognize the expense of acquiring the additional employees might be prohibitive. The Mayor and Board of Alderpersons should periodically review accounting functions to compensate for a lack of segregation of duties.

Response: We concur with the recommendation.

2. Property Tax Collection

Condition: The City is not enforcing collection on citizens who do not pay their personal property taxes.

Criteria: Procedures should be in place to follow up on delinquent personal property taxes.

Effect: At September 30, 2011 the City had outstanding taxes of $2,548 from the 2003 tax year, $5,329 from the 2004 tax year, $7,626 from the 2005 tax year, $5,966 from the 2006 tax year, $6,444 from the 2007 tax year, $23,679 from the 2008 tax year, $22,929 from the 2009 tax year, and $19,258 from the 2010 tax year.

Cause: The City sends notices of delinquent taxes twice a year and publishes these delinquent taxes in the newspaper, but has not attempted to seize property to cover personal property taxes.

Recommendation: The City should contact its attorney and determine what legal course of action can be taken to collect delinquent personal property taxes.

Response: We concur with the recommendation.

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

MATERIAL WEAKNESSES – CONTINUED

3. Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation

Condition: Management outsources financial statements and related notes, and supplementary information preparation.

Criteria: Part of effective internal control over financial reporting is the ability to adequately produce financial statements in accordance with generally accepted accounting principles.

Effect: The City must incur the expense of outsourcing the preparation of the financial statements and related notes, and supplementary information.

Cause: As is normal for governments of this type and size, the City's staff and management do not have the required technical expertise to meet the above criteria.

Recommendation: Due to the size of the City and the cost of hiring additional staff, no change is recommended.

Response: We agree with the finding, but feel the City is best served by continuing to outsource the preparation of the financial statements and related notes, and supplementary information. This is less costly than hiring additional staff to perform these tasks.

4. Violation of Laws and Regulations and Grant Compliance

Condition: As discussed in finding numbers 10, 11, 12, 13 and 14, there were violations of State of Mississippi laws and regulations. As noted in findings number 2011-1, 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6, there were internal control problems pertaining to checking for supplier debarment, cash management, obtaining purchase orders, maintaining subgrantee reporting worksheets, maintaining verification of single source procurement items and program income.

Criteria: Controls should be in effect and functioning to detect and prevent violations of State of Mississippi laws and regulations.

Effect: The City did not comply with all laws and regulations. See additional information in finding numbers 10, 11, 12, 13, 14, 2011-1, 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6.

Cause: See information in finding numbers 10, 11, 12, 13, 14, 2011-1, 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6.

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

MATERIAL WEAKNESSES – CONTINUED

4. Violation of Laws and Regulations and Grant Compliance- continued

Recommendation: Management should advise its employees of relevant laws and regulations. See other recommendations in finding numbers 10, 11, 12, 13, 14, 2011-1, 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6.

Response: We will install procedures to prevent noncompliance.

SIGNIFICANT DEFICIENCIES

5. Utility Department Cutoff Procedures

Condition: The City Enterprise Funds are not always following its prescribed cutoff procedures.

Criteria: The City internal controls require the utility department to send a disconnect notice on all users who do not pay their utility bills by a specified date. The internal controls require the City to disconnect utility services if payment is not received by the disconnect date.

Effect: At September 30, 2011 the City had accounts that were receiving current utilities and had balances owed in excess of 60 days.

Cause: The City has customers in areas who are provided water by a local water association but receives sewer services and waste collection services from the City. The sewer services cannot be turned off.

Recommendation: We recommend these customers be reviewed and discussed with the City attorney to determine enforcement action.

Response: We have subsequently collected several of these and will pursue collection efforts.

6. Home Loan Notes Receivable

Condition: The City has not obtained documentation from its two Home Loan recipients to determine that loan repayments have been made in compliance with the contract.

Criteria: The loan agreements require monthly payments of one half of cash flow generated by the rental projects financed by the loan agreement. Controls should be in place to require the Home Loan recipient to provide monthly financial statements to determine if loan payments are required.

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

SIGNIFICANT DEFICIENCIES – CONTINUED

6. Home Loan Notes Receivable - continued

Effect: The City had not received any loan payments on the outstanding Home Loans made. The City has not requested documents to determine if the required payments are being made.

Cause: The City has not been requesting these documents.

Recommendation: We recommend the City request monthly financial statements including cash flow analysis from the two Home Loan recipients monthly.

Response: We will instruct our employees to obtain and monitor monthly financial statements from our two Home Loan recipients.

7. Unaccounted for Water

Condition: The City had unaccounted for water of approximately 29.33%.

Criteria: Effective internal controls include establishing procedures to reduce unaccounted for water.

Effect: During the year ended September 30, 2011, the City pumped 521,772,000 gallons of water. During this same period, the City sold 312,915,200 gallons water, used 5,849,000 gallons of water in backwashing wells, used 49,865,000 for various city usage and donated 120,000 gallons to the National Guard. The City had 153,022,800 gallons of unaccounted for water. Unaccounted for water was 29.33% of pumped water, compared to normal unaccounted for water of 20%.

Cause: The primary cause is unknown.

Recommendation: The City should search for unmetered water usage and water leaks.

Response: We concur with the recommendation.

8. Property Taxes

Condition: Property tax collection reports are not being printed and balanced on a daily basis for the period October 1, 2010 to June 30, 2011.

Criteria: Internal controls should be in place and functioning that require the tax collector to balance collections to computer collection reports daily. Any discrepancy should be investigated daily.

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

SIGNIFICANT DEFICIENCIES – CONTINUED

8. Property Taxes - continued

Effect: Prior to July 1, 2011, the tax collector was making daily deposits, but was not balancing to computer collection reports until sometimes a month or more later.

Cause: The tax collector was not taking time to balance collections to the computer collection reports on a daily basis.

Recommendation: We recommend the tax collector be instructed to balance the collections to the computer collection reports on a daily basis.

Response: Effective July 1, 2011 the City hired a new tax collector who is balancing the collections to the computer collection reports daily.

9. Purchase Orders and Disbursements

Condition: There were missing and incomplete purchase orders and errors in invoices.

Criteria: Internal controls should be in place and functioning to require completed purchase orders be obtained on all purchases. Disbursements should be substantiated by paid invoices.

Effect: In our test of 40 general fund invoices, we noted there were 3 missing purchase orders and 1 purchase order was written three days after the purchase was made. In our test of 56 enterprise fund invoices, we noted 3 missing purchase orders and 16 purchase orders did not indicate they had been approved for purchase. We noted 1 travel invoice reimbursed a non overnight meal that was treated as a nontaxable meal reimbursement instead of as a taxable meal reimbursement and included in the employee's taxable wages. We also noted 1 general fund purchase did not have an invoice to document an expenditure of $40.

Cause: These were apparent oversights.

Recommendation: We recommend the City remind its personnel that they are required to obtain approved purchase orders for all purchases and mathematically check invoices to insure all invoices are obtained.

Response: We will remind our personnel of the importance of this internal control.

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

COMPLIANCE AND OTHER MATTERS

10. Water and Sewer Debt Service Agreement

Condition: The City is not in compliance with the water and sewer debt agreement requiring a minimum amount be placed in a debt service account.

Criteria: The water and sewer debt agreement requires 1/12 of annual payments be deposited into the debt payment account monthly.

Effect: At September 30, 2011 the debt service account had a balance of $88,439 when the required amount was $93,094. The debt service account is underfunded by $4,655.

Cause: This was an apparent oversight.

Recommendation: We recommend the debt service account be brought current.

Response: We will bring the account current.

11. Grant Compliance

Condition: As discussed in finding numbers 2011-7 and 2011-8, there were violations of grant compliance requirements pertaining to cash management and program income.

Criteria: See criteria in finding numbers 2011-7 and 2011-8.

Effect: See effect in finding numbers 2011-7 and 2011-8

Cause: See cause in finding numbers 2011-7 and 2011-8.

Recommendation: See recommendation in finding numbers 2011-7 and 2011-8.

Response: See response in finding numbers 2011-7 and 2011-8.

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS

12. Budgets

Condition: Expenditures exceeded the budget in various categories.

Criteria: Section 21-35-185, Miss. Code Ann (1972) states expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlays, election expenses and payment of emergency warrants. Sections 21-35-5 and 21-35-9, Miss. Code Ann. (1972) provide for Special Revenue Funds.

Effect: The City's expenditures exceeded its budget estimates in the following categories:

General Fund – public safety–fire–personnel services	$	25,384
General Fund – public safety –fire–supplies		1,229
General Fund – public safety–fire–other services and charges		8,880
General Fund – public safety– police–personnel services		12,335
General Fund – public safety–police–supplies		14,662
General Fund – public property–other services and charges		3,446
General Fund – street–supplies		10,886
General Fund – park operations–personnel services		2,440
General Fund – park operations–other services and charges		255
General Fund – park maintenance–personnel services		5,891
General Fund – park maintenance–supplies		2,551
General Fund – park maintenance–other services and charges		10,037
Downtown Development Fund – supplies		2,216
Downtown Development Fund – other services and charges		1,500
Gas System Fund – supplies		74,383

Cause: This was an apparent oversight.

Recommendation: We recommend the City take greater care in reviewing the budget vs actual comparison and amend the budget as circumstances require.

Response: We concur, and will take greater care in our budget amendment procedures.

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS - CONTINUED

13. Cash Shortage

Condition: The City had a cash shortage in its police fines that has been reported to management in a separate letter.

Criteria: State law requires all City monies be fully accounted for.

Effect: The City had a cash shortage of $260 in its police fines that has been fully detailed in a separate letter to management.

Cause: It appears that records were altered.

Recommendation: We understand the State of Mississippi will be investigating this further; therefore, there is no additional recommendation.

Response: We have notified the State of Mississippi of the shortage and are expecting them to investigate the shortage.

COMPLIANCE WITH STATE LAWS AND REGULATIONS

14. Surety Bonds

Condition: The Court Clerk was not bonded.

Criteria: Mississippi Code sections 21-3-5, 21-15-38, 21-15-23, 21-21-1 specify surety bond minimum limits. Employees who handle cash are required to have a $50,000 surety bond.

Effect: The City's Court Clerk was not bonded.

Cause: The City purchased a $50,000 bond on its Court Clerk on June 21, 2010. This was erroneously cancelled on July 20, 2010 by the insurance carrier and not reissued until a new bond was obtained when a new court clerk was hired.

Recommendation: We recommend a $50,000 surety bond be obtained on its Court Clerk immediately.

Response: This employee is no longer with us. We have been informed by the insurance company that if coverage is needed, their errors and liability policy will provide coverage.

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS

MATERIAL WEAKNESSES

Finding number 2011-1 – U.S. Department of Homeland Security – Homeland Security Grant Program – CFDA 97.067 Grant number 10LE126; Grant Period – Year ended September 30, 2011

Condition: The City did not have controls in place to maintain documentation of checking for supplier debarment.

Criteria: Effective internal controls include maintaining records of checking to see that the supplier was not on the federal debarment list.

Effect: In our review of grant disbursements, we noted the City had no record of checking to see if AFIX Technologies Inc was on the federal debarment list. AFIX Technologies was not listed on the federal debarment list.

Population and Sample Size:

Total number of cash disbursements	1
Total number of cash disbursements sampled	1
Total number of discrepancies noted	1

Cause: The Police Chief who administered this grant is no longer with the City and documents of checking to see if the supplier was not on the federal debarment list could not be located in the City records.

Recommendation: We recommend the grant administrator have sufficient knowledge of the grant compliance requirements and maintain documentation of all grant compliance. No additional recommendation since we determined that AFIX Technologies Inc was not on the federal debarment list.

Response: We feel these items were maintained, but had just been misplaced.

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS - CONTINUED

MATERIAL WEAKNESSES – CONTINUED

Finding number 2011-2 – U.S. Department of Transportation – ARRA Highway Planning and Construction (Federal Aid Highway Program) – CFDA 20.205 Grant number STP-9629-00(002 and LPA/105640-701000; Grant Period – Year ended September 30, 2011

Condition: The City did not have controls in place to comply with the 3-business day $5,000 funds on hand federal requirement.

Criteria: Effective internal controls for cash management should require that if federal funds on hand exceed $5,000 they must be disbursed within 3 business days. The pass-through entity also required the funds to be expended prior to requesting cash drawdowns.

Effect: In our review of cash management requirements, we noted the City had funds on deposit in its grant account exceeding $5,000 for more than three business days. The City also disbursed funds after receiving the grant drawdowns.

Population and Sample Size:

Total number of cash requests	5
Total number of cash requests sampled	5
Total number of discrepancies noted	5

Cause: The checks were not being disbursed prior to requesting drawdowns from the pass-through entity.

Recommendation: We recommend the City install controls to instruct the grant administrator of the compliance requirements of cash management and drawdowns.

Response: We concur with the recommendation.

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS - CONTINUED

Significant Deficiencies

Finding number 2011-3 – U.S. Department of Homeland Security – Homeland Security Grant Program – CFDA 97.067 Grant number 10LE126; Grant Period – Year ended September 30, 2011

Condition: The City did not obtain a purchase order.

Criteria: The City's internal control procedures require a purchase order for all purchases.

Effect: In our review of grant checks written, we noted one cash disbursement was made without obtaining an approved purchase order.

Population and Sample Size:

Total number of cash disbursements	1
Total number of cash disbursements sampled	1
Total number of discrepancies noted	1

Cause: The Police Chief who was administering this program failed to request a purchase order from the City Clerk's office.

Recommendation: We recommend the City remind its grant administrators of the requirement to obtain approved purchase orders prior to purchasing items made with federal grants.

Response: This Police Chief is no longer with us. We will inform all grant administrators of the requirement to use purchase orders.

Finding number 2011-4 – U.S. Department of Homeland Security – Homeland Security Grant Program – CFDA 97.067 Grant number 10LE126; Grant Period – Year ended September 30, 2011

Condition: The City did not have controls in place requiring the City to maintain copies of the subgrantee reporting worksheet required to be filed with the pass-through agency.

Criteria: The pass-through agency Mississippi Department of Public Safety Office of Homeland Security requires the City to submit a subgrantee reporting worksheet when expenditures are made. Effective internal controls include maintaining a copy of the submitted subgrantee reporting worksheet.

Effect: The City did not maintain copies of the subgrantee reporting worksheet; therefore, we were required to obtain a copy of the reporting worksheet from the Mississippi Department of Public Safety Office of Homeland Security.

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS - CONTINUED

Significant Deficiencies - continued

Finding number 2011-4 – U.S. Department of Homeland Security – Homeland Security Grant Program – CFDA 97.067 Grant number 10LE126; Grant Period – Year ended September 30, 2011 - continued

Effect: - continued

Population and Sample Size:

Total number of reports	1
Total number of reports sampled	1
Total number of discrepancies noted	1

Cause: The Police Chief who administered this grant did not maintain a copy of the subgrantee reporting worksheet.

Recommendation: We recommend the City remind its grant personnel of the requirement to maintain copies of all reporting worksheets.

Response: We feel these items were maintained, but had just been misplaced.

Finding number 2011-5 – U.S. Department of Homeland Security – Homeland Security Grant Program – CFDA 97.067 Grant number 10LE126; Grant Period – Year ended September 30, 2011

Condition: The City did not have controls in place requiring the City to maintain copies of single source procurement items.

Criteria: Effective internal controls include maintaining copies of documents to verify the procurement is a single source item.

Effect: The City did not maintain copies of the documentation that the procurement of a fingerprint machine from AFIX Technologies Inc. was a single source item; therefore, we were required to obtain a copy of the verification that the procurement was a single source item from the Mississippi Department of Public Safety Office of Homeland Security records.

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS - CONTINUED

Significant Deficiencies - continued

Finding number 2011-5 – U.S. Department of Homeland Security – Homeland Security Grant Program – CFDA 97.067 Grant number 10LE126; Grant Period – Year ended September 30, 2011 - continued

Effect: - continued

Population and Sample Size:

Total number of reports	1
Total number of reports sampled	1
Total number of discrepancies noted	1

Cause: The Police Chief who administered this grant is no longer with the City and documentation of obtaining vertification that the procurement was a single source could not be located in the City records.

Recommendation: We recommend that all grant administrators be informed of the requirement to maintain compliance documentation. We also recommend all single source items be fully documented in the Board of Alderman's minutes.

Response: We feel these items were maintained, but had just been misplaced.

Finding number 2011-6 – U.S. Department of Transportation – ARRA Highway Planning and Construction (Federal Aid Highway Program) – CFDA 20.205 Grant number STP-9629-00(002 and LPA/105640-701000; Grant Period – Year ended September 30, 2011

Condition: Program income controls were not in place to require deducting program income from outlays.

Criteria: Effective internal controls pertaining to income require establishing procedures to either 1) deduct program income from outlays, 2) add to project budget, or 3) use to meet matching requirements. Unless specified in the federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays.

Effect: The City did not have controls in place to reduce outlays by the program income earned.

Population and Sample Size:

Total amount of program income	$160
Total amount of program income sampled	160
Total amount of discrepancies noted	160

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS IT - CONTINUED

Significant Deficiencies - continued

Finding number 2011-6 – U.S. Department of Transportation – ARRA Highway Planning and Construction (Federal Aid Highway Program) – CFDA 20.205 Grant number STP-9629-00(002 and LPA/105640-701000; Grant Period – Year ended September 30, 2011 - continued

Cause: The grant administrator was not aware that program income was being earned. The City Clerk was not aware of this requirement.

Recommendation: The City should establish controls to provide copies of the grant bank statement to the grant administrator so they will have documents to determine the amount of program income. The City could deposit money in a noninterest bearing account. All personnel handling the grant should be made aware of all grant requirements.

Response: We will inform all future grant administrators and personel handling the grants of the requirements of the grant.

FINDINGS AND QUESTIONED COSTS

	Questioned Costs Costs
Finding number 2011-7 – U.S. Department of Transportation – ARRA Highway Planning and Construction (Federal Aid Highway Program) – CFDA 20.205 Grant number STP-9629-00(002 and LPA/105640-701000; Grant Period – Year ended September 30, 2011	
Condition: The City did not comply with cash management requirements.	
Criteria: Federal cash advances are required to be limited to $5,000 or a three business day need. The pass-through agency Mississippi Department of Transportation required the funds to be expended prior to requesting a federal cash drawdown.	
Effect: The City had federal cash balances that exceed the cash management requirements as follows: October 1, 2010 to October 28, 2010 $46,682, October 28, 2010 to November 16, 2010 $54,320, December 30, 2010 to January 6, 2011 $41,188, and January 6, 2011 to January 24, 2011 $14,486. The City also wrote all checks after receiving the grant drawdowns instead of prior to requesting a cash drawdown. No costs were questioned because the errors resulted in no misspent funds.	$ -

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS - CONTINUED

FINDINGS AND QUESTIONED COSTS - CONTINUED

Questioned Costs
Costs

Finding number 2011-7 – U.S. Department of Transportation – ARRA Highway Planning and Construction (Federal Aid Highway Program) – CFDA 20.205 Grant number STP-9629-00(002 and LPA/105640-701000; Grant Period – Year ended September 30, 2011 - continued

Effect: - continued

Population and Sample Size:

Total amount of cash requests	$303,997
Total amount of cash requests sampled	303,997
Total amount of discrepancies noted	303,997

Cause: The checks were not being disbursed prior to requesting drawdowns from the pass-through entity.

Recommendation: The City should normally disburse funds within three days of receiving federal advances or prior to receiving federal drawdowns if the grant agreement requires expenditure prior to reimbursement.

Response: We were not aware of the requirement to disburse funds prior to receiving them.

Finding number 2011-8 – U.S. Department of Transportation – ARRA Highway Planning and Construction (Federal Aid Highway Program) – CFDA 20.205 Grant number STP-9629-00(002 and LPA/105640-701000; Grant Period – Year ended September 30, 2011

Condition: Program income was not deducted from outlays prior to requesting additional funding.

Criteria: Program income regulations require the City to either 1) deduct program income from outlays, 2) add to project budget, or 3) use to meet matching requirements. Unless specified in the federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays.

FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARD PROGRAMS - CONTINUED

FINDINGS AND QUESTIONED COSTS - CONTINUED

	Questioned Costs Costs
Finding number 2011-8 – U.S. Department of Transportation – ARRA Highway Planning and Construction (Federal Aid Highway Program) – CFDA 20.205 Grant number STP-9629-00(002 and LPA/105640-701000; Grant Period – Year ended September 30, 2011 - continued	
Effect: The City had program income totaling $160 from interest earned. The City did not reduce its request for cash to compensate for the program income earned during the year ended September 30, 2011. No costs were questioned since total program income did not exceed $10,000.	$ -

Population and Sample Size:

Total amount of program income	$160
Total amount of program income sampled	160
Total amount of discrepancies noted	160

Cause: The City did not reduce federal drawdowns by the program income earned.

Recommendation: The City should contact Mississippi Department of Transportation and request the $160 program income be withheld from the remaining cash drawdown due when project is completely closed.

Response: We contacted the Mississippi Department of Transportation, the pass-through agency, and they are reducing our final cash drawdown by $160. We provided them with a computation of our program income earned.

Total Questioned Costs	$ -

CITY OF BOONEVILLE, MISSISSIPPI
Results of Prior Audit Findings
For the fiscal year ended September 30, 2011

PRIOR YEAR MATERIAL WEAKNESSES

1. Segregation of Duties

   Condition: The City does not have an adequate segregation of duties among accounting functions.

   Recommendation: The City should have a segregation of duties among accounting functions; however, we recognize that the expense of acquiring the additional employees might be prohibitive. The Mayor and Board of Alderpersons should periodically review accounting functions to compensate for a lack of segregation of duties.

   Status: This is still a finding in this report. See finding number 1 on page 91.

2. Property Tax Collection

   Condition: The City is not enforcing collections on citizens who do not pay their personal property taxes.

   Recommendation: The City should contact its attorney and determine what legal course of action can be taken to collect delinquent personal property taxes.

   Status: This is still a finding in this report. See finding number 2 on page 91.

3. Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation

   Condition: Management outsources financial statements and related notes, and supplementary information preparation.

   Recommendation: Due to the size of the City and the cost of hiring additional staff, no change is recommended.

   Status: This is still a finding in this report. See finding number 3 on page 92.

4. Violation of Laws and Regulations

   Condition: As discussed in finding numbers 10, 11, 12, 13 and 14, there were violations of State of Mississippi laws and regulations.

   Recommendation: Management should advise its employees of relevant laws and regulations. See other recommendations in finding numbers 10, 11, 12, 13, and 14.

   Status: This is still a finding in this report. See finding number 4 on pages 92-93.

PRIOR YEAR SIGNIFICANT DEFICIENCIES

5. Utility Department Cutoff Procedures

   Condition: The City Enterprise Funds are not always following its prescribed cutoff procedures.

   Recommendation: We recommend these customers be reviewed and discussed with the City attorney to determine enforcement action.

   Status: This is still a finding in this report. See finding number 5 on page 93.

6. Home Loan Notes Receivable

   Condition: The City has not obtained documentation from its two Home Loan recipients to determine that loan repayments have been made in compliance with the contract.

   Recommendation: We recommend the City request monthly financial statements including cash flow analysis from the two Home Loan recipients monthly.

   Status: This is still a finding in this report. See finding number 6 on pages 93- 94.

7. Unaccounted for Water

   Condition: The City had unaccounted for water of approximately 27.47%.

   Recommendation: The City should search for unmetered water usage and water leaks.

   Status: This is still a finding in this report. See finding number 7 on page 94.

8. Property Taxes

   Condition: Property tax collection reports are not being printed and balanced on a daily basis.

   Recommendation: We recommend the tax collector be instructed to balance the collections to the computer collection reports on a daily basis.

   Status: This is still a finding in this report. See finding number 8 on pages 94-95. This was corrected in July, 2011.

PRIOR YEAR SIGNIFICANT DEFICIENCIES - CONTINUED

9. Purchase Orders and Disbursements

Condition: There were missing and incomplete purchase orders. The disbursements made did not agree with attached invoices.

Recommendation: We recommend the City remind its personnel that they are required to obtain approved purchase orders for all purchases and mathematically check invoices to insure all invoices are obtained.

Status: This is still a finding in this report. See finding number 9 on page 95.

PRIOR YEAR COMPLIANCE AND OTHER MATTERS

10. Grant Compliance – Davis Bacon

Condition: The City's grant administrator did not timely obtain certified payrolls or perform other Davis Bacon compliance requirements.

Recommendation: We recommend the City require its grant administrator obtain certified payrolls and perform Davis Bacon requirements.

Status: This City obtained certified payrolls and tested for compliance.

11. Grant Compliance – Program Income and Cash Management

Condition: The City grant administrator did not reduce cash requests by program income.

Recommendation: We recommend the City refund the program income to the granting agency or obtain approval from the granting agency to spend the program income.

Status: Tennessee Valley Authority determined the funds received from the performance bond were not considered program income.

PRIOR YEAR COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS

12. Budgets

Condition: Expenditures exceeded the budget in various categories.

Recommendation: We recommend the City take greater care in reviewing the budget vs actual comparison and amend the budget as circumstances require.

Status: This is still a finding in this report. See finding number 12 on page 97.

PRIOR YEAR COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS - CONTINUED

13. Cash Shortage

Condition: The City had a cash shortage that has been reported to management in a separate letter.

Recommendation: We understand the State of Mississippi will be investigating this further; therefore, there is no additional recommendation.

Status: This is still a finding in this report because this finding occurred during the current year. See finding number 13 on page 98.

PRIOR YEAR COMPLIANCE WITH STATE LAWS AND REGULATIONS

14. Surety Bonds

Condition: The Court Clerk was not bonded.

Recommendation: We recommend a $50,000 surety bond be obtained on its Court Clerk immediately.

Status: This was corrected during the current year however it occurred during the current year. See finding number 14 on page 98.

MISSISSIPPI OFFICE OF THE STATE AUDITOR ARRA OVERSIGHT AND MONITORING REPORT

Whistleblowers Rights and Remedies under ARRA

Condition: According to Section 1553(e) of ARRA, each entity that receives ARRA funding shall post a notice of the whistleblower rights and remedies under ARRA. The entity does not have these rights and remedies displayed.

Recommendation: We recommend the entity post the whistleblower rights and remedies in a public place in all of the entity's locations. A suggested location would be next to minimum wage information. BKD has provided the entity with a copy of the Whistleblower Poster, which is available at www.recovery.gov.

Status: The Whistleblower Poster provided by BKD is posted next to our minimum wage poster as recommended by the Mississippi Office of the State Auditor.

JONES & JONES

CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.

Kermit V. Jones Jr., C.P.A. ***Christopher D. Jones, C.P.A.*** ***Jeremy D. Jones, C.P.A.*** ***David W. Jones, C.P.A.***

Mayor and Board of Alderpersons
City of Booneville, Mississippi

In planning and performing our audit of the financial statements of City of Booneville, Mississippi for the year ended September 30, 2011 we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. We also performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and its operating efficiency. We also noted certain immaterial instances of noncompliance and other matters. They are as follows:

1. The City needs to establish policies pertaining to cell phone use. The City should receive a detailed list of cell phone calls and review monthly to determine City use and personal use. The cell phones should be used for City business only.

2. The City presently allows certain employees (police and firemen) to accumulate personal leave for working during a holiday or unusual overtime. At present the City has no limit on the amount of personal leave that can be accumulated. The City, if it wishes to continue this procedure, should consider setting maximum days that can be carried forward similar to maximum vacation days that can be carried forward. Future payments required when employees retire or quit could have a significant effect on City cash flows.

3. The City Enterprise Funds have meter deposits on hand totaling $85,528 for accounts that are no longer active. If the City cannot refund these inactive deposits to the customers within five years, State law requires them to be turned over to the State as unclaimed property. The City needs to determine the amount of unclaimed property and turn it over to the State.

4. Management, as part of their formal risk assessment and monitoring program, should periodically review the following steps to help prevent the occurrence of fraud.

   Control the mail – In governments, management should either personally pick up the mail, or have the mail picked up by an employee who has no responsibilities related to the handling or recording of deposits, accounts receivable records or revenues. All remittances from customers should be directed to a post office box. Limiting access to the City's mail is essential in preventing the unauthorized negotiation of cash receipts.

RECEIVED
JUN 25 2012

RECEIVED
JUN 25 2012

Control the accounts receivable – Management should limit access to accounts receivable records, and in particular, the ability to issue credit memoranda, discounts and refunds. Accounts receivable detail ledgers should be balanced with the control account at regular intervals and any differences should be investigated promptly. Only the Board of Alderpersons should be authorized to charge off accounts deemed uncollectible. Any discrepancies reported by customers should be investigated promptly. Aged accounts should be reviewed monthly and past due accounts investigated.

Control the bank statements – Similarly, management should personally pick up the City's bank statements directly from the bank, or have them picked up by an employee who has no related responsibilities and delivered to the Mayor unopened. Management should review the contents of the statements before they are reconciled. Specific items that management should be alert to include:

1. Missing checks
2. Checks issued out of sequence
3. Unknown payees
4. Checks that appear to have been altered
5. Checks not signed by authorized signatories
6. Other unusual items

Control the inventory – Management should carefully monitor gross profit, and investigate any unexpected variances. Access to inventories should be limited as much as possible, and the use of surveillance equipment may deter inventory theft. If a perpetual inventory is used, periodic counts should be performed at regular intervals for comparison with the perpetual records.

Control the accounts payable – Establish and monitor approved vendor lists. Management should periodically review the list of approved vendors, being alert to:

1. Unknown vendors
2. Vendors with names similar to other known vendors
3. Vendors with no physical address or telephone number
4. Vendors whose addresses match employee addresses

Limit the number of authorized check signers – If possible, only the Mayor and City Clerk should be authorized to sign checks. If not possible, consider requiring two signatures on checks, at least those over a specified amount. The use of facsimile signatures should be avoided if at all possible. Never sign checks in the blank. Review supporting documentation when checks are signed and investigate any discrepancies.

Account for sequences – Whether it is checks, invoices, credit memoranda, receiving reports, shipping documents, or other prenumbered items, all sequences should be accounted for. Voided documents should be defaced to prevent unauthorized use and retained to complete sequences.

Control general journal entries – Management should either make or personally review and approve all general journal entries. Supporting documentation should be reviewed before approving general journal entries. In particular, the following items should be investigated:

1. Entries made to unrelated accounts
2. Entries made to receivables or revenues at or near the close of a period
3. Entries made by persons whose responsibilities are not consistent with the accounts being adjusted

Monitor exception reports – Unprocessed transactions should be carefully examined for propriety. This includes revenues, expenses, purchasing and payroll transactions.

Establish a budget – Management should establish an operating budget and monitor actual results monthly. Any significant variances should be investigated.

Establish reasonable performance targets – Setting incentive compensation arrangements at unrealistic performance levels may encourage misstatement of financial results.

Perform thorough background checks on all new employees – Call former employers and educational institutions for verification of previous employment and education. Beware of "gaps" in employment or educational history. Consider obtaining a credit report (if authorized by the candidate) before employment.

Require uninterrupted vacations for all employees and establish a schedule of rotation of employee responsibilities – More than just good management, rotation of duties provides a strong disincentive to commit fraud. In addition, it provides an opportunity to discover fraud that has already occurred.

Provide employees an opportunity to report the occurrence of fraud or other abuse anonymously – In a recent survey, one in five employees said they were personally aware of the occurrence of fraud in the workplace. Eighty percent said they would be willing to report fraud if they did not have to identify themselves. Management can establish hotlines, "suggestion boxes" or other means to enable employees to bring the occurrence of fraud to its attention without requiring employees to give their names.

Clearly communicate to employees the behavior that is expected of them – Believe it or not, ignorance has been cited as a common cause of fraud. Some employees have been trained to commit fraudulent acts without knowing what they were doing, just assuming that "that's the way it's done".

Be alert to changes in employee attitudes, behavior and lifestyle – Because of day-to-day contact, management is in the best position to observe the unusual – attitudes that are hostile or defensive toward management or the City in general, changes in behavior that are inconsistent with employees' normal disposition or lifestyles that are not reasonable based on the employees' level of compensation. Matters that may be of particular concern include:

1. Indications of dissatisfaction with compensation, lack of promotion
2. Indications of gambling
3. Indications of drug use or excessive use of alcohol
4. Indications of financial distress
5. Indications of infidelity
6. Indications of serious illness
7. Indications of excessive nervousness
8. Indications of severe stress

Take strong action against employees who commit fraud – Call the police or other law enforcement agency and press charges. Failing to do so sends a message to other employees that management doesn't take fraud seriously.

Conduct your own activities on a high ethical level – Employees will follow the lead of management, whether that lead is ethical or not. More than what is said or included in a policy manual, the actions of management establish behavioral norms.

Obtain reasonable fidelity bond coverage – If the unthinkable occurs, insurance coverage is the most likely means of recovery of amounts misappropriated. The amount of coverage should be reviewed periodically for adequacy.

Separate reports dated June 18, 2012 contain our reports on reportable conditions in the City's internal control and on compliance with laws and regulations and other matters. This letter does not affect our report dated June 18, 2012, on the financial statements of City of Booneville, Mississippi.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

Sincerely yours,

JONES & JONES
Certified Public Accountants
of Booneville, P.A.

June 18, 2012