

BENTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

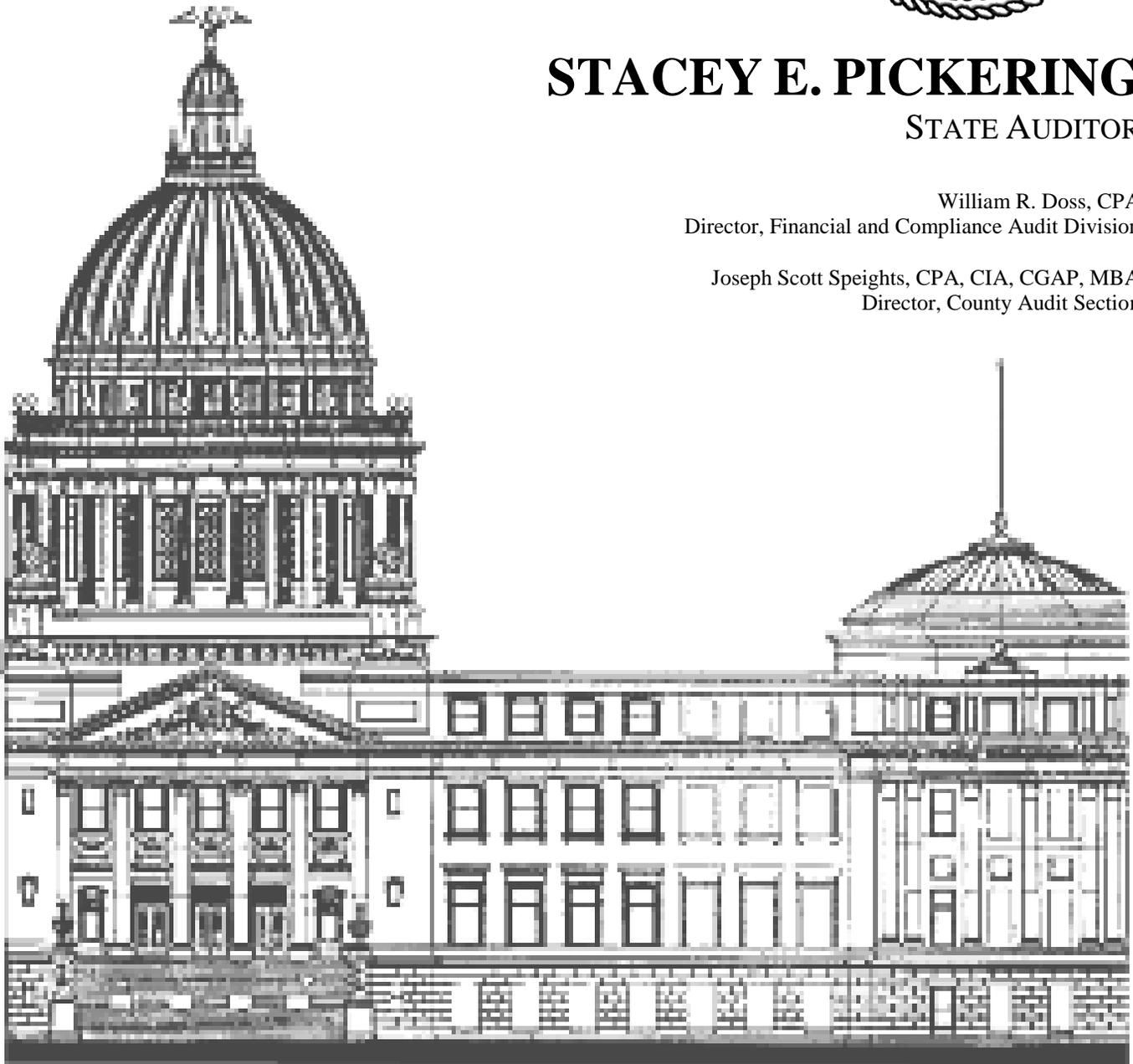


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

October 15, 2013

Members of the Board of Supervisors
Benton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Benton County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Benton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Benton County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

BENTON COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR’S REPORT 3

FINANCIAL STATEMENTS 5

 Statement of Net Assets – Cash Basis 7

 Statement of Activities – Cash Basis 8

 Statement of Cash Basis Assets and Fund Balances – Governmental Funds 9

 Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances –
 Governmental Funds 10

 Statement of Fiduciary Assets and Liabilities – Cash Basis 11

 Notes to Financial Statements 13

SUPPLEMENTAL INFORMATION 19

 Schedule of Expenditures of Federal Awards 21

OTHER INFORMATION 23

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund 25

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Road and Bridge
 Maintenance Fund 26

 Schedule of Capital Assets 27

 Schedule of Changes in Long-term Debt 28

 Schedule of Surety Bonds for County Officials 29

 Notes to the Other Information 31

SPECIAL REPORTS 33

 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of the Financial Statements Performed in Accordance
 with *Government Auditing Standards* 35

 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 37

 Independent Auditor's Report on Central Purchasing System, Inventory Control System and
 Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) 39

 Limited Internal Control and Compliance Review Management Report 45

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 47

AUDITEE’S SUMMARY OF PRIOR AUDIT FINDINGS 53

BENTON COUNTY

FINANCIAL SECTION

BENTON COUNTY

(This page left blank intentionally)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR
INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Benton County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, Benton County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of September 30, 2012, and the respective changes in cash basis financial position, thereof for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of Benton County, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards 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 basic 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County, Mississippi's basic financial statements. The Budgetary Comparison Schedules, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink that reads "Will-R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 15, 2013

BENTON COUNTY

FINANCIAL STATEMENTS

BENTON COUNTY

(This page left blank intentionally.)

BENTON COUNTY
Statement of Net Assets - Cash Basis
September 30, 2012

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 4,149,663
Total Assets	<u>4,149,663</u>
NET ASSETS	
Restricted:	
Expendable:	
General government	117,409
Public safety	160,687
Public works	1,408,516
Unrestricted	<u>2,463,051</u>
Total Net Assets	<u>\$ 4,149,663</u>

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

BENTON COUNTY
Statement of Activities- Cash Basis
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,931,089	239,029	42,214	68,696	(1,581,150)
Public safety	1,222,165	97,363	194,197		(930,605)
Public works	1,996,033	1,665	482,015	72,411	(1,439,942)
Health and welfare	62,515		59,477		(3,038)
Culture and recreation	99,264		5,168	46,869	(47,227)
Education	1,746,962				(1,746,962)
Conservation of natural resources	50,132		37,629	297,581	285,078
Economic development and assistance	74,038			4,589	(69,449)
Debt service:					
Principal	183,262				(183,262)
Interest	21,178				(21,178)
Total Governmental Activities	<u>7,386,638</u>	<u>338,057</u>	<u>820,700</u>	<u>490,146</u>	<u>(5,737,735)</u>
General receipts:					
Property taxes				\$ 2,083,835	
Road & bridge privilege taxes				103,489	
Lieu tax - Magnolia Energy				842,179	
Lieu tax - TVA				3,447,857	
Grants and contributions not restricted to specific programs				107,738	
Unrestricted interest income				35,352	
Miscellaneous				174,514	
Proceeds from debt issuance				298,690	
Sale of county property				15,070	
Compensation for loss of county property				29,154	
Lease principal payments				60,700	
Total General Receipts and Other Cash Sources				<u>7,198,578</u>	
Changes in Net Assets				<u>1,460,843</u>	
Net Assets - Beginning of year				<u>2,688,820</u>	
Net Assets - End of year				\$ <u>4,149,663</u>	

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

BENTON COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2012

Exhibit 3

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Road & Bridge Maintenance Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash	\$ 2,463,051	1,326,989	359,623	4,149,663
Total Assets	<u>\$ 2,463,051</u>	<u>1,326,989</u>	<u>359,623</u>	<u>4,149,663</u>
FUND BALANCES				
Restricted for:				
General government	\$		117,409	117,409
Public safety			160,687	160,687
Public works		1,326,989	81,527	1,408,516
Committed to:				
Economic development and assistance	779,311			779,311
Unassigned	<u>1,683,740</u>			<u>1,683,740</u>
Total Fund Balances	<u>\$ 2,463,051</u>	<u>1,326,989</u>	<u>359,623</u>	<u>4,149,663</u>

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

BENTON COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2012

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Road & Bridge Maintenance Fund	Other Governmental Funds	
RECEIPTS				
Property taxes	\$ 1,582,157	262,704	238,974	2,083,835
Road and bridge privilege taxes		103,489		103,489
Lieu tax - Magnolia Energy	842,179			842,179
Lieu tax - TVA	3,447,857			3,447,857
Licenses, commissions and other receipts	127,621		2,619	130,240
Fines and forfeitures	122,333		9,922	132,255
Intergovernmental receipts	481,826	850,894	85,864	1,418,584
Charges for services	6,920		68,642	75,562
Interest income	30,118	3,089	2,145	35,352
Miscellaneous receipts	118,607	6,547	49,360	174,514
Total Receipts	<u>6,759,618</u>	<u>1,226,723</u>	<u>457,526</u>	<u>8,443,867</u>
DISBURSEMENTS				
General government	1,872,450		58,639	1,931,089
Public safety	1,057,576		164,589	1,222,165
Public works	35,000	1,655,790	305,243	1,996,033
Health and welfare	62,515			62,515
Culture and recreation	99,264			99,264
Education	1,746,962			1,746,962
Conservation of natural resources	50,132			50,132
Economic development and assistance	11,428		62,610	74,038
Debt service:				
Principal	60,464	95,927	26,871	183,262
Interest	13,579	4,768	2,831	21,178
Total Disbursements	<u>5,009,370</u>	<u>1,756,485</u>	<u>620,783</u>	<u>7,386,638</u>
Excess (Deficiency) of Receipts over Disbursements	<u>1,750,248</u>	<u>(529,762)</u>	<u>(163,257)</u>	<u>1,057,229</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt issuance		298,690		298,690
Sale of county property		15,070		15,070
Compensation for loss of county property	6,546	22,608		29,154
Transfers in		966,739	200,780	1,167,519
Transfers out	(1,167,519)			(1,167,519)
Lease principal payments	60,700			60,700
Total Other Cash Sources and Uses	<u>(1,100,273)</u>	<u>1,303,107</u>	<u>200,780</u>	<u>403,614</u>
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	649,975	773,345	37,523	1,460,843
Cash Basis Fund Balances - Beginning of year	<u>1,813,076</u>	<u>553,644</u>	<u>322,100</u>	<u>2,688,820</u>
Cash Basis Fund Balances - End of year	<u>\$ 2,463,051</u>	<u>1,326,989</u>	<u>359,623</u>	<u>4,149,663</u>

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

BENTON COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2012

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>23,267</u>
Total Assets	\$ <u><u>23,267</u></u>
LIABILITIES	
Amounts held in custody for others	<u>23,267</u>
Total Liabilities	\$ <u><u>23,267</u></u>

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

BENTON COUNTY

(This page left blank intentionally.)

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Benton County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Benton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other non-exchange receipts

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

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Road and Bridge Maintenance Fund - This fund is used to account for monies from specific sources that are restricted for road and bridge maintenance.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPE

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted.”

Fund Financial Statements:

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

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County’s highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

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

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Change in Accounting Principle.

Prior to October 1, 2011 the County’s financial statements were presented using the accrual basis of accounting. For the fiscal year ended September 30, 2012, the basic financial statements are prepared on a cash basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$4,172,930, and the bank balance was \$4,345,643. The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2012:

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Road & Bridge Maintenance Fund	General Fund	\$ 966,739
Other Governmental Funds	General Fund	200,780
Total		<u>\$ 1,167,519</u>

The purpose of interfund transfers was to cover operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(5) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(6) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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

(7) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

The Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The Benton County Board of Supervisors appoints one of the seven members of the Board of Commissioners. The County contributed \$19,336 for the maintenance and support of the commission in fiscal year 2012.

The Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Benton County Board of Supervisors appoints four of the 24 members of the board of directors. The County contributed \$11,000 for the maintenance and support of the district in fiscal year 2012.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, Desoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Benton County Board of Supervisors appoints two of the 23 members of the college board of trustees. The County contributed \$91,358 for the maintenance and support of the college in fiscal year 2012.

The Northeast Mississippi Regional Solid Waste Authority provides solid waste services to the Counties of Benton, Prentiss and Tippah, along with the Cities of Ashland, Booneville and Ripley. Currently, Benton County does not receive any direct services from the authority, but rather contracts with a private firm for the collection of solid waste. The authority prepared a five-year solid waste plan for the County. Each member of the authority appoints one member of the six-member commission. The County did not contribute any funds to the authority in the fiscal year 2012.

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

The United Community Action Commission, Inc. was created as a nonprofit organization pursuant to federal community action legislation in the mid-1960s. The commission is governed by a 21-member board, seven of whom are appointed by the Benton County Board of Supervisors. Most of the commission's operating revenue come from federal sources. The County contributed \$15,000 to the commission in fiscal year 2012.

(8) Defined Benefit Pension Plan.

Plan Description. Benton County, 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. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$199,875, \$169,162 and \$168,500, respectively, equal to the required contributions for each year.

BENTON COUNTY

SUPPLEMENTAL INFORMATION

BENTON COUNTY

(This page left blank intentionally.)

BENTON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the State of Mississippi Treasury Department Schools and roads - grants to states*	10.665	N/A	\$ <u>306,271</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1126-09-005-SH-01	3,918
Home investment partnerships program	14.239	M 10-SG-280-10991	<u>31,250</u>
Total U.S. Department of Housing and Urban Development			<u>35,168</u>
U.S. Department of Transportation/Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>65,574</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grants-public assistance (presidentially declared disasters)	97.036	FEMA-1916-DR-MS	23,251
Hazard mitigation grant*	97.039	1604-0002-027	34,675
Hazard mitigation grant*	97.039	1604-0225	<u>70,865</u>
Subtotal			<u>105,540</u>
Emergency management performance grants	97.042	12EMPL00	<u>12,194</u>
Total U.S. Department of Homeland Security			<u>140,985</u>
Total Expenditures of Federal Awards			\$ <u><u>547,998</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

* Denotes major federal award program

BENTON COUNTY

(This page left blank intentionally.)

BENTON COUNTY

OTHER INFORMATION

BENTON COUNTY

(This page left blank intentionally.)

BENTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 1,534,992		1,582,157	1,582,157
Licenses, commissions and other receipts	148,636	127,686	127,621	(65)
Fines and forfeitures		122,333	122,333	
Lieu tax - Magnolia Energy		842,179	842,179	
Lieu tax - TVA		3,447,857	3,447,857	
Intergovernmental revenues	1,844,144	1,444,506	481,826	(962,680)
Charges for services			6,920	6,920
Interest income	21,618	19,331	30,118	10,787
Miscellaneous revenue	9,937	106,149	118,607	12,458
Total Receipts	<u>3,559,327</u>	<u>6,110,041</u>	<u>6,759,618</u>	<u>649,577</u>
DISBURSEMENTS				
Current:				
General government	3,408,352	4,134,676	1,872,450	2,262,226
Public safety	904,482	946,789	1,057,576	(110,787)
Public works			35,000	(35,000)
Health and welfare	95,902	62,515	62,515	
Culture and recreation	99,380	99,264	99,264	
Education		1,746,962	1,746,962	
Conservation of natural resources	49,249	50,133	50,132	1
Economic development and assistance	7,000	11,429	11,428	1
Debt Service:				
Principal	107,168	60,464	60,464	
Interest		13,579	13,579	
Total Disbursements	<u>4,671,533</u>	<u>7,125,811</u>	<u>5,009,370</u>	<u>2,116,441</u>
Excess of Receipts over (under) Disbursements	<u>(1,112,206)</u>	<u>(1,015,770)</u>	<u>1,750,248</u>	<u>2,766,018</u>
OTHER CASH SOURCES (USES)				
Other financing sources	400,000	197,491	(1,100,273)	(1,297,764)
Total Other Cash Sources and Uses	<u>400,000</u>	<u>197,491</u>	<u>(1,100,273)</u>	<u>(1,297,764)</u>
Net Change in Fund Balance	(712,206)	(818,279)	649,975	1,468,254
Fund Balances - Beginning	<u>247,887</u>	<u>2,569,627</u>	<u>1,813,076</u>	<u>(756,551)</u>
Fund Balances - Ending	<u>\$ (464,319)</u>	<u>1,751,348</u>	<u>2,463,051</u>	<u>711,703</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

BENTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road and Bridge Maintenance Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 260,239		262,704	262,704
Road and bridge privilege taxes	101,800	103,489	103,489	
Intergovernmental revenues	830,156	801,996	850,894	48,898
Interest income	3,000	3,089	3,089	
Licenses, commissions, and other revenues		48,818		(48,818)
Miscellaneous revenue		6,399	6,547	148
Total Receipts	<u>1,195,195</u>	<u>963,791</u>	<u>1,226,723</u>	<u>262,932</u>
DISBURSEMENTS				
Current:				
Public works	1,230,900	1,300,297	1,655,790	(355,493)
Debt Service	100,100	100,695	100,695	
Total Disbursements	<u>1,331,000</u>	<u>1,400,992</u>	<u>1,756,485</u>	<u>(355,493)</u>
Excess of Receipts over (under) Disbursements	<u>(135,805)</u>	<u>(437,201)</u>	<u>(529,762)</u>	<u>(92,561)</u>
OTHER CASH SOURCES (USES)				
Long-term debt issued			298,690	298,690
Sale of county property			15,070	15,070
Compensation for loss of county property		30,034	22,608	(7,426)
Transfers in		966,739	966,739	
Total Other Cash Sources and Uses	<u>0</u>	<u>996,773</u>	<u>1,303,107</u>	<u>306,334</u>
Net Change in Fund Balance	(135,805)	559,572	773,345	213,773
Fund Balances - Beginning	<u>(46,389)</u>	<u>582,992</u>	<u>553,644</u>	<u>(29,348)</u>
Fund Balances - Ending	<u>\$ (182,194)</u>	<u>1,142,564</u>	<u>1,326,989</u>	<u>184,425</u>

The accompanying notes to the Other Information are an integral part of this statement.

Note - Actual (budgetary basis) amounts include insubstance transactions involving capital leases entered into by the county in the amount of \$298,690 that are not reflected in budgeted amounts.

BENTON COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2012
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments *	Balance Sept. 30, 2012
Land	\$ 55,430	2,450			57,880
Construction in progress	1,093,488	698,323			1,791,811
Infrastructure	7,173,727			(122,312)	7,051,415
Buildings	2,412,107	141,330			2,553,437
Improvements other than buildings	405,346				405,346
Mobile equipment	2,954,314	330,311	37,491	92,466	3,339,600
Furniture and equipment	436,348	72,312	7,800		500,860
Leased property under capital leases	329,382	298,690		(92,466)	535,606
Total capital assets	<u>\$ 14,860,142</u>	<u>1,543,416</u>	<u>45,291</u>	<u>(122,312)</u>	<u>16,235,955</u>

*Adjustment represents the correction of a prior period error and to reclassify paid off leased purchase.

Benton County
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2012
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2011	Issued	Principal Payments	Balance Sept. 30, 2012
Governmental Activities:							
A. Capital Leases:							
2008 Mack tractor truck	07/2008	07/2013	3.15%	\$ 35,604		35,604	
Caterpillar excavator	11/2008	11/2013	3.15%	49,158		22,272	26,886
John Deere tractor & sprayer	10/2009	10/2013	3.20%	21,886		10,324	11,562
John Deere tractor & machete	04/2010	04/2014	3.20%	60,983		23,011	37,972
John Deere motor grader	08/2012	08/2017	2.18%		183,487	2,897	180,590
District 1 John Deere tractor	08/2012	08/2017	2.19%		37,975	600	37,375
District 2 John Deere tractor	08/2012	08/2017	2.19%		39,253	619	38,634
District 3 John Deere tractor	08/2012	08/2017	2.19%		37,975	600	37,375
B. Other Loans:							
Capital improvements loan - factory	12/2008	12/2018	3.00%	476,253		60,464	415,789
911 equipment loan	11/2010	12/2015	2.00%	140,000		26,871	113,129
Barefoot Carriers loan	08/2011	09/2021	2.00%	150,000			150,000
Total				\$ 933,884	298,690	183,262	1,049,312

The accompanying notes to the Other Information are an integral part of this statement.

BENTON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Christian Graves Shoup	Supervisor District 1	Greer and White Insurance	\$100,000
James Griffin	Supervisor District 2	Greer and White Insurance	\$100,000
Randy D. Wilburn	Supervisor District 3	Greer and White Insurance	\$100,000
Jimmy Pipkin	Supervisor District 4	Greer and White Insurance	\$100,000
Ricky Wayne Pipkin, Sr.	Supervisor District 5	Greer and White Insurance	\$100,000
Marlene H. McKenzie	Comptroller	Greer and White Insurance	\$100,000
Marlene H. McKenzie	Chancery Clerk	Greer and White Insurance	\$100,000
Marlene H. McKenzie	Purchase Clerk	Greer and White Insurance	\$75,000
Marjorie Jimmerson	Assistant Purchase Clerk	Greer and White Insurance	\$50,000
Lynette Hudspeth	Receiving Clerk	Greer and White Insurance	\$75,000
Joe Harris	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Alonzo Tucker	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Danny Ray Loving	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Ronnie Briscoe	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Lynette Hudspeth	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Margaret Taylor	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Collin Mills	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Shawanda Caldwell	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Cindy Wilson	Assistant Receiving Clerk	Greer and White Insurance	\$50,000
Cindy Wilson	Inventory Control Clerk	Greer and White Insurance	\$75,000
James Williams	Constable	Greer and White Insurance	\$50,000
Albert Wayne Gadd	Constable	Greer and White Insurance	\$100,000
Kathy M Graves	Circuit Clerk	Greer and White Insurance	\$100,000
Lakeisha Fuller	Deputy Circuit Clerk	Greer and White Insurance	\$100,000
Albert Arnold McMullen	Sheriff	Travelers Casualty and Surety Company	\$100,000
Charles Fortner	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Joe Batts	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Shane Ward	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Janice Fortner	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
David Murphy	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Donna Lindsey	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Bobby Dickerson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Randy Hobson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Jackie Stanton	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Scott Poff	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
James Williams (Auxiliary)	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Greer and White Insurance	\$50,000
Kobuck Bailey	Jailor	Greer and White Insurance	\$10,000
Johnny Stanton	Jailor	Greer and White Insurance	\$10,000
Perry Colston	Jailor	Greer and White Insurance	\$10,000
Ethan Burks	Jailor	Greer and White Insurance	\$10,000
Brody Lee Childers	Justice Court Judge	Travelers Casualty and Surety Company	\$50,000
Gary McBride	Justice Court Judge	Greer and White Insurance	\$100,000
Pam Campbell	Justice Court Clerk	Greer and White Insurance	\$50,000
Vicky Everett	Deputy Justice Court Clerk	Greer and White Insurance	\$50,000
Betty Jean Hobson	Tax Collector-Assessor	Travelers Casualty and Surety Company	\$100,000
Shawanda Hunt Caldwell	Deputy Tax Collector	Greer and White Insurance	\$50,000
Laura Daniel	Deputy Tax Collector	Greer and White Insurance	\$50,000
Kenneth P. Geno, Jr.	County Engineer	Travelers Casualty and Surety Company	\$50,000
Collin Mills	Deputy Appraiser	Greer and White Insurance	\$50,000

BENTON COUNY

(This page left blank intentionally.)

BENTON COUNTY

Notes to the Other Information
For the Year Ended September 30, 2012
UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

C. Excess of Actual Disbursements Over Budget in Individual Funds.

The following fund had an excess of actual disbursements over budget for the year ended September 30, 2012:

Fund	Excess
Road and Bridge Maintenance Fund	\$ 355,493

The fund listed above, is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the County has no obligation associated with these violations.

(2) Long-term Debt information:

A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2012, the amount of outstanding debt was less than 1% of the latest property assessments.

BENTON COUNTY

Notes to the Other Information
For the Year Ended September 30, 2012
UNAUDITED

B. Subsequent Event.

Subsequent to September 30, 2012, the County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/19/2012	3.25%	\$	9,095	Capital lease	Ad valorem taxes
05/20/2013	2.17%		44,914	Capital lease	Ad valorem taxes
08/19/2013	2.09%		32,500	Capital lease	Ad valorem taxes

BENTON COUNTY

SPECIAL REPORTS

BENTON COUNTY

(This page left blank intentionally)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
Benton County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Benton County, 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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.

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 as 12-1, 12-2, 12-3, 12-4 and 12-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Benton County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 15, 2013, included within this document.

Benton County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Benton County's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Will. R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 15, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**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**

Members of the Board of Supervisors
Benton County, Mississippi

Compliance

We have audited the compliance of Benton County, Mississippi (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. Benton County, 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 Benton County, Mississippi's management. Our responsibility is to express an opinion on Benton County, 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 Benton County, 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 on Benton County, Mississippi's compliance with those requirements.

In our opinion, Benton County, 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, 2012.

Internal Control Over Compliance

The management of Benton County, 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 Benton County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 15, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Benton County, Mississippi

We have examined Benton County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Benton County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

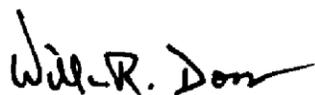
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Benton County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Benton County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Benton County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 15, 2013

BENTON COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2012

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
6/4/2012	John Deere motor grader	\$ 183,487	Stribling Equipment	\$ 179,376	The vast amount of John Deere equipment presently owned by the County, the parts being interchangeable in each, the parts availability and resale value made this the best bid
10/31/2011	(5) Community storm shelters	38,475	Southern Home Safety	36,000	The cost per cubic foot was lower. Additional height was more cost efficient as well as the height would not be as claustrophobic.

BENTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

BENTON COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

BENTON COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Benton County, Mississippi

In planning and performing our audit of the financial statements of Benton County, Mississippi (the County) for the year ended September 30, 2012, we considered Benton County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Benton County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 15, 2013, on the financial statements of Benton County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Actual expenditures should not exceed final budget amounts.

Finding

Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. As reported in the prior year's audit report, actual expenditures exceeded budgeted amounts in the Road and Bridge Maintenance Fund. Failure to limit actual expenditures to budgeted amounts, could result in the county having insufficient funds to pay expenditures.

Recommendation

The Board of Supervisors should not make expenditures in excess of budgeted amounts.

Board of Supervisors' Response

The Board recognizes their failure to stay within the budgeted amounts. Measures are in place to prevent this from occurring in the future.

Sheriff.

2. Inadequate controls over cash collection and disbursement functions exist in the Sheriff's office.

Finding

An effective system of internal control should include an adequate segregation of duties and the maintenance and reconciliation of records documenting cash collections. As reported in the prior two years' audit reports, controls were inadequate over cash. The following deficiencies were noted:

- a. The bookkeeper maintains the cash journal, prepares deposits, prepares settlements and disburses funds. The activities of the bookkeeper were not reviewed by another person.
- b. Collections were not deposited on a timely basis.
- c. The cash journal was not reconciled to the bank statement.

The failure to implement adequate controls over the recording and disbursement functions, to deposit collections on a timely basis and to reconcile the cash journal to the bank statement could result in inaccurate reporting, incomplete settlements and the increased possibility of the loss or misappropriation of public funds.

Recommendation

The Sheriff should ensure that there is an adequate separation of duties in the recording and settlement functions. The Sheriff should also ensure that funds are deposited on a daily basis, that cash journals are reconciled monthly to the bank statements and that duties of the bookkeeper are reviewed by another person.

Sheriff's Response

I will comply.

Benton County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 15, 2013

BENTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BENTON COUNTY

(This page left blank intentionally.)

BENTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133?) | No |
| 7. | Federal programs identified as major programs: | |
| | a. Schools and roads – grants to states, CFDA #10.665 | |
| | b. Hazard mitigation grant, CFDA #97.039 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

BENTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1. Payments for accrued vacation time and compensatory leave for the Sheriff's department employees were approved in violation of personnel policy.

Finding

The Sheriff's office personnel policy specifies that annual leave must be used in the year in which it is received. It also specifies that any unused leave will be lost. This policy does not authorize payment for unused leave. In December 2011, the Board of Supervisors approved payment of accrued vacation time and compensatory leave for the Sheriff's department in addition to their regular salary pay for the month. Improper authorization of payments disbursed from county funds could lead to loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should only approve disbursements from county funds for which there is legal authority or approved policy.

Board of Supervisors' Response

The Board understands improper authorization of payments made in the Sheriff's Department payroll. The Board has since established a committee to review the current personnel policy. It is the intent of the Board to adopt a new policy addressing comp time, over time, and accrued vacation.

Chancery Clerk.

Material Weakness

- 12-2. Cash collection and disbursement functions over accounting functions not adequately segregated.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior two years' audit reports, observations revealed that there is not an adequate separation of duties in the accounting functions. The bookkeeper receipts all funds, makes deposits, enters receipts into the system, reconciles the bank statements, and prepares and prints disbursements. The Chancery Clerk and the Board of Supervisors only review the cash disbursements made and the Chancery Clerk also reviews the bank reconciliations. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording transactions and reconciling accounts should be performed by different people or reviewed by someone not completing the duties.

Chancery Clerk's Response

The Chancery Clerk will review the current performance of duties by the staff and adapt measures to prevent the inadequacies in the separation of duties in the accounting department.

BENTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Circuit Clerk.

Material Weakness

12-3. Cash collection and disbursement functions not adequately segregated in Circuit Clerk's office.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions are not adequately separated for effective internal control. The Circuit Clerk receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statement and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of accounting records by another person.

Circuit Clerk's Response

I will comply.

Tax Assessor-Collector.

Material Weakness

12-4. Cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated.

Finding

An effective system of internal control over tax collections should include an adequate segregation of duties and the maintenance of the legislative tag credit receivable column in the cash journal. Cash collection, recording, and reconciling functions were not adequately segregated for effective internal control. The following deficiencies were noted:

- a. As reported in the prior two years' audit reports, the Tax Assessor-Collector collected money using another deputy clerk's drawer as well as performed recording and disbursing functions.
- b. As reported in the prior two years' audit reports, the Tax Assessor-Collector did not have anyone review the bank reconciliation when she completed it.
- c. As reported in the prior two years' audit reports, the Tax Assessor-Collector did not carry the legislative tag credit receivable balance forward from month to month.
- d. The Tax Assessor-Collector did not reconcile the bank account timely.
- e. The Tax Assessor-Collector did not post entries to the cash journal in a timely manner.

Failure to implement adequate controls over the collection, recording and reconciling functions could result in the loss of public funds.

BENTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Recommendation

The Tax Assessor-Collector should ensure that there is adequate segregation of duties in the collecting, recording and reconciling functions. She should also ensure that the legislative tag credit receivable column is properly maintained in her cash journal and that the cash journal is kept up to date.

Tax Assessor-Collector's Response

Our county is a poor county. We do not have enough employees for anyone to have only certain responsibilities. Each person has to do multi-tasks. It is my wish to comply, and I will try to do better.

Justice Court Clerk.

Material Weakness

- 12-5. Cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions in the Justice Court office were not adequately separated for effective internal control. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares the daily check-up sheets, reconciles the bank statements, posts to the cash journal, makes monthly settlements and writes checks for all disbursements. Failure to have an adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court office or that there is external oversight over operations of the Justice Court office.

Justice Court Clerk's Response

We will comply.

Section 3: Federal Award Findings and Questioned Costs

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

BENTON COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

BENTON COUNTY

(This page left blank intentionally.)

MARLENE MCKENZIE
Clerk of Board
Chancery Clerk

BOARD MEMBERS

DISTRICT 5
RICKY PIPKIN
President of Board
P.O. Box 261
Hickory Flat, MS 38633

DISTRICT 2
JAMES GRIFFIN
Vice-President
236 H. Williams Road
Lamar, MS 38642



BENTON COUNTY BOARD OF SUPERVISORS
P.O. Box 218 Ashland, MS 38603
Telephone 662-224-6300 Fax 662-224-6303

BOARD MEMBERS

DISTRICT 1
CHRIS SHOUP
P.O. Box 171
Ashland, MS 38603

DISTRICT 3
RANDY WILBURN
675 Carter Flats
Ashland, MS 38603

DISTRICT 4
JIMMY PIPKIN
7446 Hwy. 5
Hickory Flat, MS 38633

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2012

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Gentlemen:

Benton County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

CFDA # 14.228-CDBG Project #1126-09-005-SH-01
U.S. Department of Housing and Urban Development
Passed-through the Mississippi Development Authority
Community Development Block Grant/State's Program and None-entitlement
Grants in Hawaii

2011-10 Condition: The Mississippi Development Authority-Community Development Block Grant Program-2011 Policies and Procedures Manual requires professional services to be procured by competitive proposals. The grant agreement signed by the county requires the county to comply with these policies and procedures. During our audit testing procedures we noted no evidence that control activities were in place to ensure that competitive proposals were solicited and awarded for engineering services, conducting evaluations of the engineers' qualifications and selecting the most qualified engineer, subject to negotiation of fair and reasonable compensation. The county hired the county engineer to perform the engineering services associated with this grant. As a result, the Mississippi Development Authority required

the county to repay \$11,757.00 for engineering services. The Northeast Mississippi Planning and Development District paid \$11,757.00 to the Mississippi Development Authority on behalf of the county on January 26, 2012.

Recommendation: The Benton County Board of Supervisors should take steps to ensure that controls are in place to ensure that procurement requirements are fulfilled by ensuring that contracts for professional services are awarded after soliciting competitive proposals as required by the Mississippi Development Authority.

Current Status: State current status of finding:

Corrective action was taken.

Sincerely yours,

A handwritten signature in blue ink that reads "Marlene McKenzie". The signature is written in a cursive style with a large initial "M".

Marlene McKenzie
Chancery Clerk
662-224-6300