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**Benoit School District**

Audited Financial Statements  
For the Year Ended June 30, 2012

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Benoit School District  
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Benoit School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2012, which collectively comprise the Benoit School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Benoit School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Benoit School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2013, on our consideration of the Benoit School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Benoit School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
April 23, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

The following discussion and analysis of Benoit School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2012 decreased \$139,144, which represents a 13% decrease from fiscal year 2011. Total net assets for 2011 decreased \$210,644, including a prior period adjustment of (\$39,329), which represents a 16% decrease from fiscal year 2010.
- General revenues amounted to \$2,562,177 and \$2,440,877, or 69% and 65% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,139,800, or 31% of total revenues for 2012, and \$1,339,593, or 35% of total revenues for 2011.
- The District had \$3,841,121 and \$3,951,785 in expenses for fiscal years 2012 and 2011; only \$1,139,800 for 2012 and \$1,339,593 for 2011 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$2,562,177 for 2012 and \$2,440,877 for 2011 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$2,198,938 in revenues and \$2,764,543 in expenditures for 2012, and \$2,044,183 in revenues and \$2,577,370 in expenditures for 2011. The General Fund's fund balance increased by \$47,650 from 2011 to 2012, and decreased by \$229,838 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$30,160 for 2012 and increased by \$16,874 for 2011. The decrease for 2012 was due to retirements of copiers and computer equipment coupled with the recording of depreciation expense for the year.
- Long-term debt decreased by \$54,958 for 2012 and decreased by \$5,781 for 2011. This decrease for 2012 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$5,532 for 2012 and increased by \$93 for 2011.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**Government-wide Financial Statements**

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

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

**Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**Notes to the financial statements**

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

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$965,518 as of June 30, 2012.

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

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Current assets	\$ 654,588	795,877	(18)%
Restricted assets	37,305	47,920	(22)%
Capital assets, net	<u>692,830</u>	<u>722,990</u>	(4)%
<b>Total assets</b>	<u>1,384,723</u>	<u>1,566,787</u>	(12)%
Current liabilities	127,979	110,409	16%
Long-term debt outstanding	<u>291,226</u>	<u>351,716</u>	(17)%
<b>Total liabilities</b>	<u>419,205</u>	<u>462,125</u>	(9)%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	552,914	504,581	10%
Restricted	393,189	610,313	(36)%
Unrestricted	<u>19,415</u>	<u>(10,232)</u>	(290)%
<b>Total net assets</b>	<u>\$ 965,518</u>	<u>1,104,662</u>	(13)%

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

- Decrease in net capital assets in the amount of \$30,160.
- The principal retirement of \$122,728 of long-term debt.
- The issuance of shortfall note payable in the amount of \$67,770.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$3,701,977 and \$3,780,470, respectively. The total cost of all programs and services was \$3,841,121 for 2012 and \$3,951,785 for 2011.

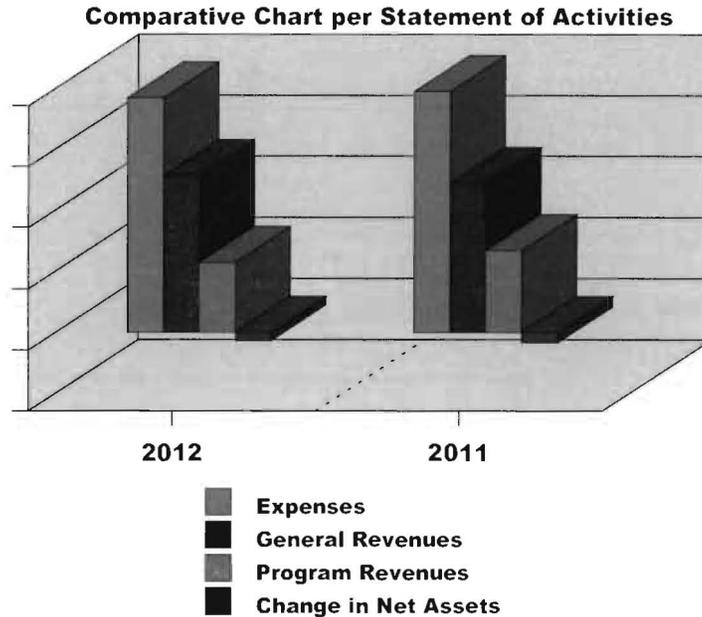
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Benoit School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**

**Table 2**  
**Changes in Net Assets**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 55,226	50,588	9%
Operating grants and contributions	<u>1,084,574</u>	<u>1,289,005</u>	(16)%
Total program revenues	<u>1,139,800</u>	<u>1,339,593</u>	(15)%
General revenues:			
Property taxes	964,809	895,399	8%
Grants and contributions not restricted	1,271,655	1,239,828	3%
Unrestricted investment earnings	1,634	2,005	(19)%
Sixteenth section	311,935	300,792	4%
Other	<u>12,144</u>	<u>2,853</u>	326%
Total general revenues	<u>2,562,177</u>	<u>2,440,877</u>	5%
<b>Total revenues</b>	<u>3,701,977</u>	<u>3,780,470</u>	(2)%
<b>Expenses:</b>			
Instruction	1,576,364	1,683,714	(6)%
Support services	1,901,219	1,908,832	0%
Non-instructional	328,337	324,190	1%
Sixteenth section	24,688	26,853	(8)%
Interest on long-term debt	<u>10,513</u>	<u>8,196</u>	28%
<b>Total expenses</b>	<u>3,841,121</u>	<u>3,951,785</u>	(3)%
Increase (Decrease) in net assets	(139,144)	(171,315)	(19)%
Net Assets, July 1, as previously reported	1,104,662	1,315,306	(16)%
Prior Period Adjustment		<u>(39,329)</u>	(100)%
Net Assets, July 1, as restated	<u>1,104,662</u>	<u>1,275,977</u>	(13)%
Net Assets, June 30	<u>\$ 965,518</u>	<u>1,104,662</u>	(13)%

**Benoit School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2012**



**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

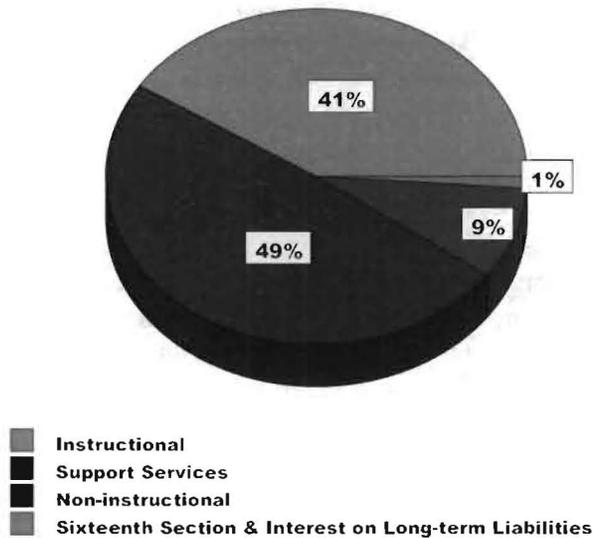
	<b>Total Expenses</b>		
	<b>2012</b>	<b>2011</b>	<b>Percentage Change</b>
Instruction	\$ 1,576,364	1,683,714	(6)%
Support services	1,901,219	1,908,832	0%
Non-instructional	328,337	324,190	1%
Sixteenth section	24,688	26,853	(8)%
Interest on long-term liabilities	10,513	8,196	28%
<b>Total expenses</b>	<b>\$ 3,841,121</b>	<b>3,951,785</b>	<b>(3)%</b>

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**Net (Expense) Revenue**

	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u>
Instruction	\$ (1,168,685)	(1,173,115)	0%
Support services	(1,397,642)	(1,356,473)	3%
Non-instructional	(99,793)	(47,555)	110%
Sixteenth section	(24,688)	(26,853)	(8)%
Interest on long-term liabilities	(10,513)	(8,196)	28%
<b>Total net (expense) revenue</b>	<b>\$ (2,701,321)</b>	<b>(2,612,192)</b>	<b>3%</b>

**Expenses per Statement of Activities**



- Net cost of governmental activities (\$2,701,321 for 2012 and \$2,612,192 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$964,809 for 2012 and \$895,399 for 2011) and state and federal revenues (\$1,271,655 for 2012 and \$1,239,828 for 2011). In addition, there was \$311,935 and \$300,792, in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$1,634 for 2012 and \$2,005 for 2011.

**Benoit School District**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2012

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$569,369, a decrease of \$168,908. \$170,171 or 30% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$399,198 or 70% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$47,650. The fund balance of Other Governmental Funds showed a decrease in the amount of \$70,736. The increase (decrease) in the fund balance for the other major fund was as follows:

Major Fund	Increase (Decrease)
Title I Basic Fund	no increase or decrease
21 <sup>st</sup> Century Grant Fund	\$ (1,500)
Sixteenth Section Interest Fund	\$ (144,322)

**BUDGETARY HIGHLIGHTS**

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

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

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2012, the District's total capital assets were \$1,675,077, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$16,250 from 2011. Total accumulated depreciation as of June 30, 2012, was \$982,247, and total depreciation expense for the year was \$65,605, resulting in total net capital assets of \$692,830.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 1,000	1,000	0%
Buildings	307,950	313,375	(2)%
Improvements other than buildings	42,995	45,682	(6)%
Mobile equipment	284,216	318,843	(11)%
Furniture and equipment	56,669	44,090	29%
<b>Total</b>	<b>\$ <u>692,830</u></b>	<b><u>722,990</u></b>	<b>(4)%</b>

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

**Debt Administration.** At June 30, 2012, the District had \$291,226 in outstanding long-term debt, of which \$148,745 is due within one year. The liability for compensated absences decreased \$5,532 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Shortfall notes payable	\$ 146,405	122,870	19%
Obligations under capital leases	24,901	48,813	(49)%
Qualified zone academy bonds payable	80,000	100,000	(20)%
Other loans payable	35,015	69,596	(50)%
Compensated absences payable	4,905	10,437	(53)%
<b>Total</b>	<b>\$ <u>291,226</u></b>	<b><u>351,716</u></b>	<b>(17)%</b>

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

**Benoit School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**CURRENT ISSUES**

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

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

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

Enrollment for the 2011-2012 year decreased by 3% to 278 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Benoit School District, Box 789, Benoit, MS 38725.

FINANCIAL STATEMENTS

**BENOIT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 540,406
<i>Due from other governments</i>	112,411
<i>Inventories</i>	1,771
<i>Restricted assets</i>	37,305
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	1,000
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	307,950
<i>Building improvements</i>	42,995
<i>Mobile equipment</i>	284,216
<i>Furniture and equipment</i>	56,669
<b>Total Assets</b>	<u>1,384,723</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	121,563
<i>Due to other governments</i>	596
<i>Unearned revenue</i>	365
<i>Interest payable on long-term liabilities</i>	5,455
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	79,916
<i>Non-capital related liabilities</i>	68,829
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	60,000
<i>Non-capital related liabilities</i>	82,481
<b>Total Liabilities</b>	<u>419,205</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	552,914
Restricted For:	
Expendable:	
School based activities	263,065
Debt service	77,106
Forestry improvements	4,666
Unemployment benefits	11,228
Sixteenth section	4,607
Non-expendable:	
Sixteenth section	32,517
Unrestricted	19,415
<b>Total Net Assets</b>	<u>\$ 965,518</u>

The accompanying notes are an integral part of this statement.

**BENOIT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	1,576,364	45,043	362,636	(1,168,685)
<i>Support services</i>	1,901,219	--	503,577	(1,397,642)
<i>Noninstructional services</i>	328,337	10,183	218,361	(99,793)
<i>Sixteenth section</i>	24,688	--	--	(24,688)
<i>Interest on long-term liabilities</i>	10,513	--	--	(10,513)
Total Governmental Activities	<u>\$ 3,841,121</u>	<u>\$ 55,226</u>	<u>\$ 1,084,574</u>	<u>(2,701,321)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				964,809
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				1,228,344
<i>Federal</i>				43,311
<i>Unrestricted investment earnings</i>				1,634
<i>Sixteenth section sources</i>				311,935
<i>Other</i>				12,144
Total General Revenues				<u>2,562,177</u>
Change in Net Assets				<u>(139,144)</u>
Net Assets - Beginning				1,104,662
Net Assets - Ending				<u>\$ 965,518</u>

The accompanying notes are an integral part of this statement.

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**BENOIT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General Fund	Title I Basic Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 197,860	\$ --
Investments	--	--
Due from other governments	23,201	28,830
Due from other funds	72,576	--
Inventories	--	--
<b>Total Assets</b>	<b>\$ 293,637</b>	<b>\$ 28,830</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 92,316	\$ 17,770
Due to other funds	30,596	11,060
Unearned revenue	--	--
<b>Total Liabilities</b>	<b>122,912</b>	<b>28,830</b>
<b>Fund balances:</b>		
<b>Nonspendable:</b>		
Permanent fund principal	--	--
Inventory	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Forestry improvement purposes	--	--
Debt service	--	--
Grant activities	--	--
Food services	--	--
Sixteenth section interest	--	--
<b>Assigned:</b>		
Activity funds	276	--
Special education	278	--
<b>Unassigned</b>	<b>170,171</b>	<b>--</b>
<b>Total Fund Balances</b>	<b>170,725</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 293,637</b>	<b>\$ 28,830</b>

The accompanying notes are an integral part of this statement.

EXHIBIT C

21st Century Grant Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 202,634	\$ 140,093	\$ 540,587
--	--	37,124	37,124
42,207	--	17,923	112,161
--	--	39,569	112,145
--	--	1,771	1,771
<u>\$ 42,207</u>	<u>\$ 202,634</u>	<u>\$ 236,480</u>	<u>\$ 803,788</u>
\$ --	\$ --	\$ 11,476	\$ 121,562
42,207	--	28,629	112,492
--	--	365	365
<u>42,207</u>	<u>--</u>	<u>40,470</u>	<u>234,419</u>
--	--	37,124	37,124
--	--	1,771	1,771
--	--	11,228	11,228
--	--	4,666	4,666
--	--	82,561	82,561
--	--	46,703	46,703
--	--	11,957	11,957
--	202,634	--	202,634
--	--	--	276
--	--	--	278
--	--	--	170,171
<u>--</u>	<u>202,634</u>	<u>196,010</u>	<u>569,369</u>
<u>\$ 42,207</u>	<u>\$ 202,634</u>	<u>\$ 236,480</u>	<u>\$ 803,788</u>

**BENOIT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012*

Total fund balances for governmental funds	\$ 569,369
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	692,830
Liabilities due in one year are not reported in the funds.	(148,745)
Payables for bond principal which are not due in the current period are not reported in the funds.	(60,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(5,455)
Payables for notes which are not due in the current period are not reported in the funds.	(77,576)
Payables for compensated absences not due in the current period are not reported in the funds.	(4,905)
Net assets of governmental activities	<u>\$ 965,518</u>

The accompanying notes are an integral part of this statement.

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**BENOIT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Title I Basic Fund
<b>Revenues:</b>		
Local sources	\$ 926,635	\$ --
State sources	1,228,992	--
Federal sources	43,311	300,197
Sixteenth section sources	--	--
Total Revenues	<u>2,198,938</u>	<u>300,197</u>
<b>Expenditures:</b>		
Instruction	1,260,637	201,433
Support services	1,364,216	86,773
Noninstructional services	78,570	1,138
Sixteenth section	--	--
Debt service:		
Principal	58,493	--
Interest	2,627	--
Other	--	--
Total Expenditures	<u>2,764,543</u>	<u>289,344</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(565,605)</u>	<u>10,853</u>
<b>Other Financing Sources (Uses):</b>		
Proceeds of notes issued	67,770	--
Insurance loss recoveries	30,502	--
Transfers in	521,839	--
Transfers out	(6,856)	(10,853)
Other financing uses	--	--
Total Other Financing Sources (Uses)	<u>613,255</u>	<u>(10,853)</u>
Net Change in Fund Balances	<u>47,650</u>	<u>--</u>
Fund Balances:		
July 1, 2011	123,075	--
June 30, 2012	<u>\$ 170,725</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

21st Century Grant Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 107,552	\$ 1,034,187
--	--	66,288	1,295,280
254,681	--	461,145	1,059,334
--	312,367	810	313,177
<u>254,681</u>	<u>312,367</u>	<u>635,795</u>	<u>3,701,978</u>
98,623	--	48,952	1,609,645
144,977	--	281,638	1,877,604
4,398	--	240,440	324,546
--	24,688	--	24,688
--	--	44,235	102,728
--	--	7,220	9,847
--	--	100	100
<u>247,998</u>	<u>24,688</u>	<u>622,585</u>	<u>3,949,158</u>
<u>6,683</u>	<u>287,679</u>	<u>13,210</u>	<u>(247,180)</u>
--	--	--	67,770
--	--	--	30,502
--	67,999	18,496	608,334
(8,183)	(500,000)	(82,442)	(608,334)
--	--	(20,000)	(20,000)
<u>(8,183)</u>	<u>(432,001)</u>	<u>(83,946)</u>	<u>78,272</u>
<u>(1,500)</u>	<u>(144,322)</u>	<u>(70,736)</u>	<u>(168,908)</u>
1,500	346,956	266,746	738,277
<u>\$ --</u>	<u>\$ 202,634</u>	<u>\$ 196,010</u>	<u>\$ 569,369</u>

**BENOIT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$ (168,908)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	35,639
The depreciation of capital assets used in governmental activities is not reported in the funds.	(65,605)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(194)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	20,000
Repayment of capital lease principal is an expenditure in the funds but not an expense in the SOA.	23,912
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	34,581
Repayment of notes principal is an expenditure in the funds but not expense in SOA.	44,235
(Increase) decrease in accrued interest from beginning of period to end of period.	(566)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	5,532
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(67,770)</u>
Change in net assets of governmental activities	<u>\$ (139,144)</u>

The accompanying notes are an integral part of this statement.

**BENOIT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES*  
*FIDUCIARY FUNDS*  
*JUNE 30, 2012*

	<u>Agency Funds</u>
<b>Assets</b>	
<i>Cash and other deposits</i>	\$ 250
<i>Due from other funds</i>	596
<b>Total Assets</b>	<u>\$ 846</u>
<b>Liabilities</b>	
<i>Due to other funds</i>	\$ 249
<i>Other payables</i>	597
<b>Total Liabilities</b>	<u>\$ 846</u>

The accompanying notes are an integral part of this statement.

**Benoit School District**  
Notes to the Financial Statements  
June 30, 2012

## **Benoit School District**

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

### **Note 1 - Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

#### **A. Basis of Presentation**

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

#### **B. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

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

#### **C. Government-wide and Fund Financial Statements**

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

The Statement of Net Assets presents the District's non-fiduciary assets and

## **Benoit School District**

### Notes to the Financial Statements For the Year Ended June 30, 2012

liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

The school district reports the following major governmental funds:

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

**Title I Basic Fund** - This is the school district's federal reimbursable fund that serves to fund remedial math and reading services to low-income, program eligible students.

**21<sup>st</sup> Century Grant Fund** - This is a special revenue fund that is intended to help students meet state and local standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that should complement their regular academic programs; and offers literacy and other

## Benoit School District

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

educational services to the families of participating children.

**Sixteenth Section Interest Fund** - This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

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

The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund is used as a clearing account for payroll and payroll related transactions.

**Accounts Payable Clearing** - This fund is used as a clearing account for non-payroll transactions.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

**Permanent Funds** - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement

## **Benoit School District**

### Notes to the Financial Statements For the Year Ended June 30, 2012

focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

## **Benoit School District**

### Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

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

#### **E. Encumbrances**

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

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

##### **1. Cash, Cash equivalents and Investments**

###### **Cash and cash equivalents**

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

###### **Investments**

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested. For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

## **Benoit School District**

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### 2. 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 inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds".

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

#### 5. Restricted Assets

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

#### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery,

**Benoit School District**

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

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are

## Benoit School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

#### 9. Fund Balances

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

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

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

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law

## **Benoit School District**

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

through a constitutional provision or enabling legislation.

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 1% of the general fund revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### **Note 2 - Cash and Cash Equivalents and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than

## Benoit School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$540,587 and \$250, respectively. The bank balance was \$744,311.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2012, none of the district's bank balance of \$744,311 was exposed to custodial credit risk.

**Benoit School District**

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

**Investments.**

As of June 30, 2012, the district had the following investments in the investment pool.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Certificates of Deposit	no rating	Less than one year	\$ <u>37,124</u>

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2012, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Bank of Benoit	\$ 37,124	100 %

**Note 3 - Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 11,060
	21 <sup>st</sup> Century Grant Fund	42,207
	Other Governmental Funds	19,309
Other Governmental Funds	General Fund	30,000
	Other Governmental Funds	9,320
	Fiduciary Funds	249

**Benoit School District**

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

Fiduciary Funds	General Fund	596
Total		\$ <u>112,741</u>

The purpose of the inter-fund loans was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sixteenth Section Interest	\$ 500,000
	Title I	10,853
	Twenty First Century Fund	8,183
	Other Governmental Funds	2,803
Sixteenth Section Interest	Other Governmental Funds	67,999
Other Governmental Funds	General Fund	6,856
	Other Governmental Funds	11,640
Total		\$ <u>608,334</u>

Transfers were made from federal funds for indirect costs. Also, transfers were made from the General Fund to Other Governmental Funds to offset program costs which were not reimbursed by state and federal funds.

**Note 4 - Restricted Assets**

The restricted assets represent the investment balance of \$37,124, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance in the amount of \$181 of the QZAB Bond Retirement Fund.

**Note 5 - Capital Assets**

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

**Benoit School District**

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

	Balance 7-1-2011	Additions	Retirements	Balance 6-30-2012
<b>Non-depreciable capital assets:</b>				
Land	\$ 1,000			1,000
Total non-depreciable capital assets	1,000	0	0	1,000
<b>Depreciable capital assets:</b>				
Buildings	861,578			861,578
Improvements other than buildings	67,180			67,180
Mobile equipment	559,909			559,909
Furniture and equipment	169,160	35,639	19,389	185,410
Total depreciable capital assets	1,657,827	35,639	19,389	1,674,077
<b>Less accumulated depreciation for:</b>				
Buildings	548,203	5,425		553,628
Improvements other than buildings	21,498	2,687		24,185
Mobile equipment	241,066	34,627		275,693
Furniture and equipment	125,070	22,866	19,195	128,741
Total accumulated depreciation	935,837	65,605	19,195	982,247
Total depreciable capital assets, net	721,990	(29,966)	194	691,830
Governmental activities capital assets, net	\$ 722,990	(29,966)	194	692,830

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 7,697
Support services	54,117
Non-instructional	3,791
Total depreciation expense	\$ 65,605

**Note 6 - Long-term liabilities**

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

	Balance 7-1-2011	Additions	Reductions	Balance 6-30-2012	Amounts due within one year
A. Shortfall notes payable - 2010	\$ 35,135		17,019	18,116	18,116
Shortfall notes payable - 2011	87,735		27,216	60,519	29,269
Shortfall notes payable - 2012		67,770		67,770	21,444
B. Obligations under capital leases	48,813		23,912	24,901	24,901
C. Qualified zone academy bonds payable	100,000		20,000	80,000	20,000
D. Other loans payable	69,596		34,581	35,015	35,015
E. Compensated absences payable	10,437		5,532	4,905	
Total	\$ 351,716	67,770	128,260	291,226	148,745

**Benoit School District**

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

**A. Shortfall Notes Payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note, Series 2010	5.25%	02-25-10	02-25-13	\$ 51,535	18,116
Shortfall Note, Series 2011	5.25%	12-30-10	12-30-13	87,735	60,519
Shortfall Note, Series 2012	5.25%	09-15-11	09-15-14	67,770	67,770
Total				\$ <u>207,040</u>	<u>146,405</u>

1. Shortfall notes payable issue of 2010:

Year Ending June 30	Principal	Interest	Total
2013	\$ <u>18,116</u>	<u>946</u>	<u>19,062</u>

This debt will be retired from the Shortfall Notes Retirement Fund (#4012).

2. Shortfall notes payable issue of 2011:

Year Ending June 30	Principal	Interest	Total
2013	\$ 29,269	3,146	32,415
2014	<u>31,250</u>	<u>1,610</u>	<u>32,860</u>
Total	\$ <u>60,519</u>	<u>4,756</u>	<u>65,275</u>

This debt will be retired from the Shortfall Notes Retirement Fund (#4013).

3. Shortfall notes payable issue of 2012:

Year Ending June 30	Principal	Interest	Total
2013	\$ 21,444	3,558	25,002
2014	22,570	2,432	25,002
2015	<u>23,756</u>	<u>1,247</u>	<u>25,003</u>
Total	\$ <u>67,770</u>	<u>7,237</u>	<u>75,007</u>

**Benoit School District**

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

This debt will be retired from the Shortfall Notes Retirement Fund (#4013).

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2013	\$ 68,829	7,650	76,479
2014	53,820	4,042	57,862
2015	23,756	1,247	25,003
Total	<u>\$ 146,405</u>	<u>12,939</u>	<u>159,344</u>

**B. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses and energy renovations at a cost of \$303,250 with a down payment of \$3,250. This lease agreement qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

- Title passes to the lessee at the end of the period after the lease obligation has been fulfilled.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital lease	4.10%	06-03-03	03-10-13	\$ <u>210,133</u>	<u>24,901</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ <u>24,901</u>	<u>768</u>	<u>25,669</u>

This debt will be retired from the District Maintenance Fund.

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight line method is not considered material.

**Benoit School District**

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

**C. Qualified Zone Academy Bonds Payable**

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
QZAB Bonds, (Series 2006)	0%	06-14-06	06-14-16	\$ <u>200,000</u>	<u>80,000</u>

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Hancock Bank, has entered into such an arrangement dated June 14, 2006. This agreement establishes a method of repayment for a qualified interest-free debt instrument.

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

<u>Year Ending June 30</u>	<u>Principal</u>
2013	\$ 20,000
2014	20,000
2015	20,000
2016	<u>20,000</u>
Total	\$ <u>80,000</u>

This debt will be retired from the District Maintenance Fund.

**D. Other Loans Payable**

The school district has issued debt instruments granted under the authority of Section 57-39-205 of the Mississippi State Code.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Loan payable	1.25%	6-30-03	7-01-12	\$ <u>300,000</u>	<u>35,015</u>

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

## Benoit School District

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ <u>35,015</u>	<u>438</u>	<u>35,453</u>

This debt will be retired from the District Maintenance Fund.

### E. Compensated absences payable

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

### Note 7 - Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2012, 2011, and 2010 were \$246,181, \$224,423, and \$231,047, respectively, which equaled the required contributions for each year.

### Note 8 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future

## Benoit School District

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

rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending		Amount
June 30		
2013	\$	241,430
2014		241,430
2015		61,480
Total	\$	<u>544,340</u>

### Note 9 - Contingencies

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

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

### Note 10 - Risk Management

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

#### Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 84 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo

## Benoit School District

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

in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

### Note 11 - Subsequent Events

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

On September 10, 2012 the District issued a Tax Anticipation Note in the amount of \$300,000.

### Note -12 - Insurance Loss Recoveries

The Benoit School District received \$30,502 in insurance loss recoveries related to wind damage during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as expenses and allocated among the expense functions based on the following percentages:

	Insurance Loss Recoveries	Percentage	Expense Function
\$	30,502	100%	Support Services

REQUIRED SUPPLEMENTAL INFORMATION

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2012

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 925,123	942,514	926,635	17,391	(15,879)
State sources	1,226,413	1,226,953	1,228,992	540	2,039
Federal sources	32,500	49,035	43,311	16,535	(5,724)
Total Revenues	<u>2,184,036</u>	<u>2,218,502</u>	<u>2,198,938</u>	<u>34,466</u>	<u>(19,564)</u>
<b>Expenditures:</b>					
Instruction	1,415,528	1,264,088	1,260,637	151,440	3,451
Support services	1,363,569	1,387,542	1,364,216	(23,973)	23,326
Noninstructional services	55,292	66,720	78,570	(11,428)	(11,850)
Debt Service:					
Principal	58,782	59,401	58,493	(619)	908
Interest	5,338	1,844	2,627	3,494	(783)
Total Expenditures	<u>2,898,509</u>	<u>2,779,595</u>	<u>2,764,543</u>	<u>118,914</u>	<u>15,052</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(714,473)</u>	<u>(561,093)</u>	<u>(565,605)</u>	<u>153,380</u>	<u>(4,512)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans	58,545	67,770	67,770	9,225	0
Insurance loss recoveries		30,502	30,502	30,502	0
Transfers In	722,799	739,698	521,839	16,899	(217,859)
Transfers Out	<u>(360,382)</u>	<u>(262,600)</u>	<u>(6,856)</u>	<u>97,782</u>	<u>255,744</u>
Total Other Financing Sources (Uses)	<u>420,962</u>	<u>575,370</u>	<u>613,255</u>	<u>154,408</u>	<u>37,885</u>
Net Change in Fund Balances	<u>(293,511)</u>	<u>14,277</u>	<u>47,650</u>	<u>307,788</u>	<u>33,373</u>
<b>Fund Balances:</b>					
July 1, 2011	119,488	123,076	123,075	3,588	(1)
June 30, 2012	<u>\$ (174,023)</u>	<u>137,353</u>	<u>170,725</u>	<u>311,376</u>	<u>33,372</u>

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

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I Basic Fund  
 For the Year Ended June 30, 2012

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 268,834	309,070	300,197	40,236	(8,873)
Total Revenues	<u>268,834</u>	<u>309,070</u>	<u>300,197</u>	<u>40,236</u>	<u>(8,873)</u>
<b>Expenditures:</b>					
Instruction	179,765	202,002	201,433	(22,237)	569
Support services	131,790	91,841	86,773	39,949	5,068
Noninstructional services	3,000	3,688	1,138	(688)	2,550
Total Expenditures	<u>314,555</u>	<u>297,531</u>	<u>289,344</u>	<u>17,024</u>	<u>8,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(45,721)</u>	<u>11,539</u>	<u>10,853</u>	<u>57,260</u>	<u>(686)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers Out		(11,376)	(10,853)	(11,376)	523
Total Other Financing Sources (Uses)	<u>0</u>	<u>(11,376)</u>	<u>(10,853)</u>	<u>(11,376)</u>	<u>523</u>
Net Change in Fund Balances	<u>(45,721)</u>	<u>163</u>	<u>0</u>	<u>45,884</u>	<u>(163)</u>
<b>Fund Balances:</b>					
July 1, 2011	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2012	<u>\$ (45,721)</u>	<u>163</u>	<u>0</u>	<u>45,884</u>	<u>(163)</u>

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

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 21st Century Grant Fund  
 For the Year Ended June 30, 2012

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 250,000	250,000	254,681	0	4,681
Total Revenues	250,000	250,000	254,681	0	4,681
<b>Expenditures:</b>					
Instruction	150,073	98,660	98,623	51,413	37
Support services	194,094	146,962	144,977	47,132	1,985
Noninstructional services	34,800	5,938	4,398	28,862	1,540
Total Expenditures	378,967	251,560	247,998	127,407	3,562
Excess (Deficiency) of Revenues Over (Under) Expenditures	(128,967)	(1,560)	6,683	127,407	8,243
<b>Other Financing Sources (Uses):</b>					
Transfers Out	(6,264)	(9,750)	(8,183)	3,486	(1,567)
Total Other Financing Sources (Uses)	(6,264)	(9,750)	(8,183)	3,486	(1,567)
Net Change in Fund Balances	(135,231)	(11,310)	(1,500)	0	0
<b>Fund Balances:</b>					
July 1, 2011	1,500	1,500	1,500	0	0
June 30, 2012	\$ (133,731)	(9,810)	0	123,921	9,810

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

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2012

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 337,600	337,600	312,367	0	(25,233)
Total Revenues	337,600	337,600	312,367	0	(25,233)
<b>Expenditures:</b>					
Sixteenth section	57,000	57,000	24,688	0	32,312
Total Expenditures	57,000	57,000	24,688	0	32,312
Excess (Deficiency) of Revenues Over Expenditures	280,600	280,600	287,679	0	7,079
<b>Other Financing Sources (Uses):</b>					
Transfers In			67,999	0	67,999
Transfers out	(450,000)	(450,000)	(500,000)	0	50,000
Total Other Financing Sources (Uses)	(450,000)	(450,000)	(432,001)	0	17,999
Net Change in Fund Balances	(169,400)	(169,400)	(144,322)	0	25,078
<b>Fund Balances:</b>					
July 1, 2011	346,956	346,956	346,956	0	0
June 30, 2012	\$ 177,556	177,556	202,634	0	25,078

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

## **Benoit School District**

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2012

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

Benoit School District  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 60,164
National School Lunch Program	10.555	127,607
Summer Food Service Program for Children	10.559	12,748
Total Child Nutrition cluster		<u>200,519</u>
Community Facilities Loans and Grants	10.766	<u>179,298</u>
Total passed-through Mississippi Department of Education		<u>379,817</u>
<b>Total U. S. Department of Agriculture</b>		<u>379,817</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	18,259
<b>Total Federal Communications Commission</b>		<u>18,259</u>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies Cluster:		
Title I Grants to Local Educational Agencies	84.010	289,344
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	1,718
Total Title I cluster		<u>291,062</u>
Educational Technology State Grants Cluster:		
Educational Technology State Grants	84.318	2,298
ARRA - Educational Technology State Grants, Recovery Act	84.386	8,255
Total Educational Technolog State Grants cluster		<u>10,553</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	752
Twenty-First Century Community Learning Centers	84.287	247,998
Improving Teacher Quality - State Grants	84.367	41,795
Education Jobs Fund	84.410	4,847
Subtotal		<u>295,392</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	79,963
Special Education - Preschool Grants	84.173	2,071
ARRA - Special Education - Grants to States, Recovery Act	84.391	995
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	21
Total special education cluster		<u>83,050</u>
Total passed-through the Mississippi Department of Education		<u>680,057</u>
<b>Total U. S. Department of Education</b>		<u>680,057</u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Health and Human Services:		
Medical Assistance Program	93.778	14,601
Total passed-through Mississippi Department of Health and Human Services		<u>14,601</u>
<b>Total U. S. Department of Health and Human Services</b>		<u>14,601</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u>1,092,734</u></b>

Notes to Schedule

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

**Benoit School District****Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2012

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 2,179,491	1,468,776	306,970	135,749	267,996
Other	1,769,667	146,877	101,220	2,415	1,519,155
<b>Total</b>	<b>\$ 3,949,158</b>	<b>1,615,653</b>	<b>408,190</b>	<b>138,164</b>	<b>1,787,151</b>

Total number of students \* 278

Cost per student \$ 14,206 5,812 1,468 497 6,429

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

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

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

School Administration - includes expenditures for the following functions: Support Services - School Administration

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

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

OTHER INFORMATION

**BENOIT SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

## General Fund

## Last Four Years

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 926,635	867,043	833,132	824,810
State sources	1,228,992	1,164,189	1,156,677	1,305,748
Federal sources	43,311	12,951	16,326	42,526
Total Revenues	<u>2,198,938</u>	<u>2,044,183</u>	<u>2,006,135</u>	<u>2,173,084</u>
<b>Expenditures:</b>				
Instruction	1,260,637	1,098,462	1,090,828	1,160,450
Support services	1,364,216	1,362,534	1,100,466	1,333,559
Noninstructional services	78,570	55,254	2,449	
Debt Service:				
Principal	58,493	56,336	55,782	54,489
Interest	2,627	4,784	5,338	6,631
Total Expenditures	<u>2,764,543</u>	<u>2,577,370</u>	<u>2,254,863</u>	<u>2,555,129</u>
Excess (Deficiency) of Revenues (under) Expenditures	<u>(565,605)</u>	<u>(533,187)</u>	<u>(248,728)</u>	<u>(382,045)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of notes issued	67,770	87,735	51,535	
Insurance loss recoveries	30,502			
Operating transfers in	521,839	257,424	290,907	335,339
Other financing sources		198		
Operating transfers out	(6,856)	(42,008)	(8,891)	(25,666)
Other financing uses				
Total Other Financing Sources (Uses)	<u>613,255</u>	<u>303,349</u>	<u>333,551</u>	<u>309,673</u>
Net Change in Fund Balances	<u>47,650</u>	<u>(229,838)</u>	<u>84,823</u>	<u>(72,372)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	123,075	352,913	275,780	348,152
Prior period adjustments			(7,690)	
July 1, as restated	<u>123,075</u>	<u>352,913</u>	<u>268,090</u>	<u>348,152</u>
June 30,	<u>\$ 170,725</u>	<u>123,075</u>	<u>352,913</u>	<u>275,780</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**BENOIT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**

"UNAUDITED"

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 1,034,187	950,755	906,455	860,992
State sources	1,295,280	1,235,951	1,236,513	1,333,822
Federal sources	1,059,334	1,291,933	1,442,290	1,150,817
Sixteenth section sources	313,177	301,633	294,727	311,432
Total Revenues	<u>3,701,978</u>	<u>3,780,272</u>	<u>3,879,985</u>	<u>3,657,063</u>
<b>Expenditures:</b>				
Instruction	1,609,645	1,647,708	1,718,007	1,562,184
Support services	1,877,604	2,007,005	1,684,618	1,883,257
Noninstructional services	324,546	318,409	257,360	319,441
Sixteenth section	24,688	26,853		57,949
Debt service:				
Principal	102,728	73,516	55,782	54,489
Interest	9,847	6,644	5,338	6,631
Interest	100			
Total Expenditures	<u>3,949,158</u>	<u>4,080,135</u>	<u>3,721,105</u>	<u>3,883,951</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(247,180)</u>	<u>(299,863)</u>	<u>158,880</u>	<u>(226,888)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of notes issued	67,770	87,735	51,535	
Insurance loss recoveries	30,502			
Operating transfers in	608,334	460,708	299,798	361,006
Other financing sources		198		
Operating transfers out	(608,334)	(460,708)	(299,798)	(361,006)
Other financing uses	(20,000)	(20,000)	(20,000)	(20,000)
Total Other Financing Sources (Uses)	<u>78,272</u>	<u>67,933</u>	<u>31,535</u>	<u>(20,000)</u>
Net Change in Fund Balances	<u>(168,908)</u>	<u>(231,930)</u>	<u>190,415</u>	<u>(246,888)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	738,277	969,931	787,783	1,035,220
Prior period adjustment			(7,469)	
July 1, as restated	<u>738,277</u>	<u>969,931</u>	<u>780,314</u>	<u>1,035,220</u>
Increase (decrease) in inventory		276	(798)	(549)
June 30,	<u>\$ 569,369</u>	<u>738,277</u>	<u>969,931</u>	<u>787,783</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Benoit School District

We have audited the financial statements of the Benoit School District as of and for the year ended June 30, 2012, and have issued our report thereon dated April 23, 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 Benoit School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Benoit School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with

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which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 23, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Benoit School District

**Compliance**

We have audited Benoit School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Benoit School District's major federal programs are identified in the summary of the 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 the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, the Benoit School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the Benoit School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Benoit School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on

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internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 school board, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 23, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Benoit School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2012, which collectively comprise Benoit School District's basic financial statements and have issued our report thereon dated April 23, 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.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,865 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 23, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Benoit School District**

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010 & 84.389	Title I Cluster
10.766	Community Facilities Loans and Grants

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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