



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**BENTON COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2015**



BENTON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	19
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	21
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	25
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	29
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	49
Budgetary Comparison Schedule - Food Service Fund	51
Budgetary Comparison Schedule - Title I Grant	53
Budgetary Comparison Schedule - 21st Century Grant	55
Schedule of the District's Proportionate Share of the Net Pension Liability	57
Schedule of District Contributions	59
Notes to the Required Supplementary Information	61
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	65
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	67
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	71
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	73
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	77
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	79
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	83
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	87
CORRECTIVE ACTION PLAN	91
FOLLOW UP ON PRIOR YEAR FINDINGS	93

(This page left blank intentionally)

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Benton County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benton County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Benton County School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above 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 Benton County School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

POST OFFICE BOX 102  
BRANDON, MISSISSIPPI 39043  
PHONE: 601-938-5717

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions on pages 7-14, 49-55, 57 and 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

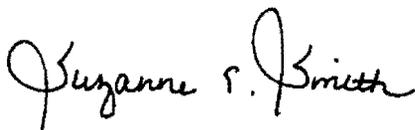
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Benton County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133,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

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 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the Benton County 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* in considering Benton County School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

The following discussion and analysis of Benton County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 position for 2015 decreased \$12,300,335, including a prior period adjustment of (\$12,874,381), which represents a 177% decrease from fiscal year 2014. Total net position for 2014 increased \$108,225, including a prior period adjustment of (\$22,794), which represents a 2% increase from fiscal year 2013.
- General revenues amounted to \$9,787,916 and \$9,123,234, or 80% and 78% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,429,755, or 20% of total revenues for 2015, and \$2,583,077, or 22% of total revenues for 2014.
- The District had \$11,643,625 and \$11,575,293 in expenses for fiscal years 2015 and 2014; only \$2,429,755 for 2015 and \$2,583,077 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,787,916 for 2015 and \$9,123,234 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,611,364 in revenues and \$9,377,115 in expenditures for 2015, and \$9,129,018 in revenues and \$8,629,857 in expenditures in 2014. The General Fund's fund balance increased by \$88,711 from 2014 to 2015, and increased by \$285,068 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$55,927 for 2015 and decreased by \$254,854 for 2014. The increase for 2015 was primarily due to the increase in building improvements of \$202,040, and the purchase of mobile equipment and furniture and equipment.
- Long-term debt, including the liability for compensated absences, decreased by \$56,542 for 2015 and decreased by \$49,000 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$4,542 for 2015 and increased by \$275 for 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**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 Position 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 Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

District's net position 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 position changed during the most recent fiscal year. All changes in net position 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, pension expense and interest on long-term liabilities.

### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, 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

BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,366,752 as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of a

BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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 position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 2,472,478	\$ 1,875,432	31.84 %
Restricted assets	117,917	67,362	75.05 %
Capital assets, net	6,700,692	6,644,765	0.84 %
<b>Total assets</b>	<b><u>9,291,087</u></b>	<b><u>8,587,559</u></b>	<b>8.19 %</b>
<b>Deferred outflows of resources</b>	<b><u>1,167,058</u></b>	<b><u>-</u></b>	<b>N/A %</b>
Current liabilities	536,665	65,469	719.72 %
Long-term debt outstanding	1,531,965	1,588,507	-3.56 %
Net pension liability	11,774,024	-	N/A %
<b>Total liabilities</b>	<b><u>13,842,654</u></b>	<b><u>1,653,976</u></b>	<b>736.93 %</b>
<b>Deferred inflows of resources</b>	<b><u>1,982,243</u></b>	<b><u>-</u></b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	5,256,692	5,148,765	2.10 %
Restricted	592,707	366,881	61.55 %
Unrestricted	(11,216,151)	1,417,937	-891.02 %
<b>Total net position</b>	<b><u>\$ (5,366,752)</u></b>	<b><u>\$ 6,933,583</u></b>	<b>-177.40 %</b>

Additional information on unrestricted net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (11,216,151)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	12,589,209
Unrestricted net position, exclusive of the net pension liability effect	<b><u>\$ 1,373,058</u></b>

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

- Increase in net capital assets in the amount of \$55,927.
- The principal retirement of \$52,000 of long-term debt.
- The recognition of a net pension liability of \$11,774,024 in accordance with new standards (GASB Statement No. 68).

BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$12,217,671 and \$11,706,311, respectively. The total cost of all programs and services was \$11,643,625 for 2015 and \$11,575,293 for 2014. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 242,823	\$ 272,079	(10.75) %
Operating grants and contributions	2,186,932	2,257,726	(3.14) %
Capital grants and contributions	-	53,272	(100.00) %
General revenues:			
Property taxes	1,325,774	1,236,995	7.18 %
Grants and contributions not restricted	8,162,052	7,808,348	4.53 %
Investment earnings	24,871	39,964	(37.77) %
Other	275,219	37,927	625.65 %
<b>Total revenues</b>	<b>12,217,671</b>	<b>11,706,311</b>	<b>4.37 %</b>
<b>Expenses:</b>			
Instruction	5,827,232	6,157,782	(5.37) %
Support services	4,445,429	4,549,979	(2.30) %
Non-instructional	638,881	805,558	(20.69) %
Pension expense	698,304	-	N/A
Interest on long-term liabilities	33,779	61,974	(45.49) %
<b>Total expenses</b>	<b>11,643,625</b>	<b>11,575,293</b>	<b>0.59 %</b>
<b>Increase (Decrease) in net position</b>	<b>574,046</b>	<b>131,018</b>	<b>338.14 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>6,933,583</b>	<b>6,825,368</b>	<b>1.59 %</b>
<b>Prior Period Adjustment</b>	<b>(12,874,381)</b>	<b>(22,793)</b>	<b>(56,383.92) %</b>
<b>Net Position, July 1, as restated</b>	<b>(5,940,798)</b>	<b>6,802,565</b>	<b>(187.33) %</b>
<b>Net Position, June 30</b>	<b>\$ (5,366,752)</b>	<b>\$ 6,933,583</b>	<b>(177.40) %</b>

**Governmental activities**

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, pension expense, and interest on long-term liabilities. 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 5,827,232	\$ 6,157,782	(5.37) %
Support services	4,445,429	4,549,979	(2.30) %
Non-instructional	638,881	805,558	(20.69) %
Pension Expense	698,304	-	N/A %
Interest on long-term liabilities	33,779	61,974	(45.49) %
<b>Total expenses</b>	<b>\$ 11,643,625</b>	<b>\$ 11,575,293</b>	<b>0.59 %</b>
	<b>Net (Expense) Revenue</b>		
	2015	2014	Percentage Change
Instruction	\$ (4,604,630)	\$ (4,782,092)	(3.71) %
Support services	(3,919,454)	(4,158,855)	(5.76) %
Non-instructional	42,297	10,705	295.11 %
Pension Expense	(698,304)	-	N/A %
Interest on long-term liabilities	(33,779)	(61,974)	(45.49) %
<b>Total net (expense) revenue</b>	<b>\$ (9,213,870)</b>	<b>\$ (8,992,216)</b>	<b>2.46 %</b>

- Net cost of governmental activities [(\$9,213,870) for 2015 and (\$8,992,216) for 2014] was financed by general revenue, which is primarily made up of property taxes (\$1,325,774 for 2015 and \$1,236,995 for 2014) and state and federal revenues (\$8,162,052 for 2015 and \$7,808,348 for 2014).
- Investment earnings amounted to \$24,871 for 2015 and \$39,964 for 2014.

## 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 \$2,056,138, an increase of \$174,235, which includes an increase in inventory of \$5,390. \$1,382,071 or 67% 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 \$674,067 or 33% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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 \$88,711. The fund balance of Other Governmental Funds showed an increase in the amount of \$35,766. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Food Service Fund	\$ 49,755
Title I Grant	No change
21st Century Grant	3

### 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 supplementary information.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$10,506,561, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$334,640 from 2014. Total accumulated depreciation as of June 30, 2015, was \$3,805,869, and total depreciation expense for the year was \$278,624, resulting in total net capital assets of \$6,700,692.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>		
Land	\$ 76,983	\$ 76,983	0.00	%
Buildings	4,180,916	4,297,922	(2.72)	%
Building improvements	2,042,555	1,933,518	5.64	%
Improvements other than buildings	37,710	39,425	(4.35)	%
Mobile equipment	290,268	225,506	28.72	%
Furniture and equipment	72,260	71,411	1.19	%
<b>Total</b>	<b>\$ 6,700,692</b>	<b>\$ 6,644,765</b>	<b>0.84</b>	<b>%</b>

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

**Debt Administration.** At June 30, 2015, the District had \$1,531,965 in outstanding long-term debt, of which \$55,000 is due within one year. The liability for compensated absences decreased \$4,542 from the prior year. Principal payments of \$52,000 were made during the year.

BENTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<b>Percentage</b>	
			<b>Change</b>	
Qualified school construction bonds payable	\$ 1,075,000	\$ 1,075,000	0.00	%
Three mill notes payable	369,000	421,000	(12.35)	%
Compensated absences payable	87,965	92,507	(4.91)	%
<b>Total</b>	<b>\$ 1,531,965</b>	<b>\$ 1,588,507</b>	<b>(3.56)</b>	<b>%</b>

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

**CURRENT ISSUES**

The Benton County 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 controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Benton County School District, 231 Court Street (P.O. Box 247), Ashland, Mississippi 38603.

FINANCIAL STATEMENTS

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2015**

**Exhibit A**

	Governmental Activities
	<u>                    </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,004,091
Due from other governments	439,207
Inventories and prepaid items	29,180
Restricted assets	117,917
Capital assets, net of accumulated depreciation	6,700,692
<b>Total Assets</b>	<u>9,291,087</u>
 <b>Deferred Outflows of Resources</b>	
Pensions	1,167,058
	<u>1,167,058</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	525,422
Interest payable on long-term liabilities	2,408
Unearned revenue	8,835
Long-term liabilities, due within one year:	
Capital related liabilities	55,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,389,000
Non-capital related liabilities	87,965
Net Pension Liability	11,774,024
<b>Total Liabilities</b>	<u>13,842,654</u>
 <b>Deferred Inflows of Resources</b>	
Pensions	1,982,243
	<u>1,982,243</u>
 <b>Net Position</b>	
Net investment in capital assets	5,256,692
Restricted for:	
Expendable:	
School-based activities	313,575
Ad valorem	138,132
Debt service	127,443
Unemployment benefits	13,557
Unrestricted	(11,216,151)
<b>Total Net Position</b>	<u>\$ (5,366,752)</u>

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 5,827,232	205,522	1,017,080			(4,604,630)
Support services	4,445,429		525,975			(3,919,454)
Non-instructional	638,881	37,301	643,877			42,297
Pension expense	698,304					(698,304)
Interest on long-term liabilities	33,779					(33,779)
<b>Total Governmental Activities</b>	<b>\$ 11,643,625</b>	<b>242,823</b>	<b>2,186,932</b>	<b>0</b>		<b>(9,213,870)</b>
<b>General Revenues:</b>						
Taxes:						
						1,228,208
						97,566
Unrestricted grants and contributions:						
						6,698,824
						1,463,228
						24,871
						275,219
						<u>9,787,916</u>
						<u>574,046</u>
						6,933,583
						<u>(12,874,381)</u>
						<u>(5,940,798)</u>
						<u>\$ (5,366,752)</u>

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

Governmental Funds

**Balance Sheet**

**Exhibit C**

**June 30, 2015**

	Major Funds					Total Governmental Funds
	General Fund	Food Service Fund	Title I Grant	21st Century Grant	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 1,595,554	300,117	23,704	7,079	77,637	2,004,091
Investments					117,917	117,917
Due from other governments	228,133		55,700	84,838	70,536	439,207
Due from other funds	194,482	2,204				196,686
Inventories		14,030				14,030
Prepaid items	15,150					15,150
<b>Total assets</b>	<b>2,033,319</b>	<b>316,351</b>	<b>79,404</b>	<b>91,917</b>	<b>266,090</b>	<b>2,787,081</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	425,329	20,286	22,819	7,076	49,912	525,422
Due to other funds			56,585	84,838	55,263	196,686
Unearned revenue	8,835					8,835
<b>Total Liabilities</b>	<b>434,164</b>	<b>20,286</b>	<b>79,404</b>	<b>91,914</b>	<b>105,175</b>	<b>730,943</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory		14,030				14,030
<b>Restricted:</b>						
Ad valorem	138,132					138,132
Debt service					129,851	129,851
Grant activities		282,035		3	3,344	285,382
Unemployment benefits					13,557	13,557
<b>Assigned:</b>						
Student Activities	78,952					78,952
Unemployment benefits					14,163	14,163
<b>Unassigned</b>	<b>1,382,071</b>					<b>1,382,071</b>
<b>Total Fund Balances</b>	<b>1,599,155</b>	<b>296,065</b>	<b>0</b>	<b>3</b>	<b>160,915</b>	<b>2,056,138</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,033,319</b>	<b>316,351</b>	<b>79,404</b>	<b>91,917</b>	<b>266,090</b>	<b>2,787,081</b>

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position      Exhibit C-1**  
**June 30, 2015**

**Total fund balances for governmental funds** \$ 2,056,138

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 76,983	
Buildings	6,307,642	
Building improvements	2,322,829	
Improvements other than buildings	42,853	
Mobile equipment	1,344,320	
Furniture and equipment	411,934	
Accumulated depreciation	<u>(3,805,869)</u>	6,700,692

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (11,774,024)

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions	1,167,058	
Deferred inflows of resources related to pensions	<u>(1,982,243)</u>	(12,589,209)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Qualified school construction bonds payable	(1,075,000)	
Three mill notes payables	(369,000)	
Compensated absences	(87,965)	
Accrued interest payable	<u>(2,408)</u>	(1,534,373)

**Net Position of governmental activities** \$ (5,366,752)

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

Governmental Funds

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

**Exhibit D**

**For the Year Ended June 30, 2015**

	Major Funds					Total Governmental Funds
	General Fund	Food Service Fund	Title I Grant	21st Century Grant	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 1,525,032	43,168			300,490	1,868,690
State sources	6,612,545	7,814			509,013	7,129,372
Federal sources	1,473,787	710,695	485,446	125,839	423,842	3,219,609
<b>Total Revenues</b>	<b>9,611,364</b>	<b>761,677</b>	<b>485,446</b>	<b>125,839</b>	<b>1,233,345</b>	<b>12,217,671</b>
<b>Expenditures:</b>						
Instruction	5,284,513		375,591	101,030	721,931	6,483,065
Support services	4,092,602	83,508	107,893	24,806	315,877	4,624,686
Noninstructional services		635,943	1,962		11,931	649,836
Facilities Acquisition					202,040	202,040
Debt service:						
Principal					52,000	52,000
Interest					35,949	35,949
Other					1,250	1,250
<b>Total Expenditures</b>	<b>9,377,115</b>	<b>719,451</b>	<b>485,446</b>	<b>125,836</b>	<b>1,340,978</b>	<b>12,048,826</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>234,249</b>	<b>42,226</b>	<b>0</b>	<b>3</b>	<b>(107,633)</b>	<b>168,845</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	5,098	2,139			150,636	157,873
Operating transfers out	(150,636)	0	0	0	(7,237)	(157,873)
<b>Total Other Financing Sources (Uses)</b>	<b>(145,538)</b>	<b>2,139</b>	<b>0</b>	<b>0</b>	<b>143,399</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>88,711</b>	<b>44,365</b>	<b>0</b>	<b>3</b>	<b>35,766</b>	<b>168,845</b>
<b>Fund Balances:</b>						
July 1, 2014	1,510,444	246,310	0	0	125,149	1,881,903
Increase (Decrease) in reserve for inventory		5,390				5,390
<b>June 30, 2015</b>	<b>\$ 1,599,155</b>	<b>296,065</b>	<b>0</b>	<b>3</b>	<b>160,915</b>	<b>2,056,138</b>

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 168,845

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

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

Capital outlay	\$ 334,640	
Depreciation expense	<u>(278,624)</u>	56,016

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

Payments of debt principal	52,000	
Accrued interest payable	<u>2,170</u>	54,170

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

Pension expense - current year	(698,304)	
Deferred outflows - pensions	<u>983,387</u>	285,083

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

Change in compensated absences	4,542	
Change in inventory reserve	<u>5,390</u>	9,932

**Change In Net Position of governmental activities** \$ 574,046

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 16,705
Total Assets	<u>16,705</u>
<b>Liabilities</b>	
Due to student clubs	16,145
Other payables	560
Total Liabilities	<u>\$ 16,705</u>

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

(This page left blank intentionally)

# BENTON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### 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. 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 is elected by the citizens of each defined county unit.

For financial reporting purposes, Benton County 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.

#### B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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.

# BENTON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

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.

**Food Service Fund** – This special revenue fund is used to account for the financial resources associated with the federal grants in the Child Nutrition Cluster, which provides nutritious breakfasts and lunches to the district's students.

**Title I Grant** – This is a special revenue fund that accounts for the revenues and related expenditures of the Title I grants to local educational agencies.

**21<sup>st</sup> Century Grant**- This is a special revenue fund that accounts for the revenues and related expenditures of the federal Twenty-first century community learning centers grant.

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 school district also reports fiduciary funds which focus on net position.

The District's fiduciary funds include the following:

**Student Club Funds** – These various funds account for the monies raised through student club activities.

**Payroll Clearing Fund** – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

**Accounts Payable Clearing Fund** – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred

# BENTON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time 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 2012 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.

### **D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

### **E. Assets, liabilities, deferred outflows/inflows, and net position/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

# BENTON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

### Investments

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

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

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 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 Position 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, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. 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

BENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows – Pension Contributions

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pension Settlements to Plan Members

See Note 7 for further details.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial

## BENTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

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.

#### 9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements outstanding debt is reported as liabilities. 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.

#### 10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. There are no committed fund balance amounts at June 30, 2015.

*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 of the district pursuant to authorization established by the school 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.

## BENTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

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

It is the goal of the district to achieve and maintain an unassigned fund balance in the general fund at fiscal yearend of not less than 7% of total revenues for the general fund for the year just ended. If the unassigned fund balance at fiscal yearend falls below this 7% amount, the district will 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 once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**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 or 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 \$2,004,091 and \$16,705, respectively.

**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, 2015, none of the district's bank balance of \$2,241,922 was exposed to custodial credit risk.

BENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

Investments

As of June 30, 2015, the district had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 6.

Investment Type	Rating	Maturities (in years)	Fair Value
Money Market Funds	N/A	N/A	\$ 117,917
	Total		\$ <u>117,917</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 investment 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.* Disclosure 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, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Money Market Funds	\$ <u>117,917</u>	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**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Grant	\$ 56,585
	21st Century Grant	84,838
	Other governmental funds	53,059
Food service fund	Other governmental funds	2,204
Total		\$ <u>196,686</u>

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

**BENTON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2015

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 150,636
Other governmental funds	General Fund	5,098
	Food Service Fund	2,139
Total		<u>\$ 157,873</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds. Also represented are operational transfers between other governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the investment balance, totaling \$117,917 of the Qualified School Construction Bond Retirement Fund (debt service fund) which is legally restricted and may not be used for purposes that support the district's programs. These assets are shown as investments on the governmental funds balance sheet.

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<b>Non-depreciable capital assets:</b>					
Land	\$ 76,983	-			76,983
Total non-depreciable capital assets	<u>76,983</u>	-	-	-	<u>76,983</u>
<b>Depreciable capital assets:</b>					
Buildings	6,307,642	-		-	6,307,642
Building Improvements	2,120,789	202,040		-	2,322,829
Improvements other than buildings	42,853	-			42,853
Mobile equipment	1,238,320	106,000			1,344,320
Furniture and equipment	385,334	26,600		-	411,934
Total depreciable capital assets	<u>10,094,938</u>	<u>334,640</u>	-	-	<u>10,429,578</u>
<b>Less accumulated depreciation for:</b>					
Buildings	2,009,720	117,006		-	2,126,726
Building Improvements	187,271	92,914		89	280,274
Improvements other than buildings	3,428	1,715			5,143
Mobile equipment	1,012,814	41,238		-	1,054,052
Furniture and equipment	313,923	25,751		-	339,674
Total accumulated depreciation	<u>3,527,156</u>	<u>278,624</u>	-	89	<u>3,805,869</u>
Total depreciable capital assets, net	<u>6,567,782</u>	<u>56,016</u>	-	(89)	<u>6,623,709</u>
Governmental activities capital assets, net	<u>\$ 6,644,765</u>	<u>56,016</u>	-	(89)	<u>6,700,692</u>

**BENTON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2015

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
Support services	\$ 256,476
Non-instructional	22,148
<b>Total depreciation expense - Governmental activities</b>	<b><u>\$ 278,624</u></b>

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Qualified school construction bonds payable	\$ 1,075,000			1,075,000	
B. Three mill notes payable	421,000		52,000	369,000	55,000
C. Compensated absences payable	92,507		4,542	87,965	
<b>Subtotal</b>	<b><u>\$ 1,588,507</u></b>	<b><u>-</u></b>	<b><u>56,542</u></b>	<b><u>1,531,965</u></b>	<b><u>\$ 55,000</u></b>

**A. Qualified school construction bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified school construction bonds, Series 2010	0.00%	17-Dec-10	17-Dec-26	<u>\$ 1,075,000</u>	<u>\$ 1,075,000</u>

The annual sinking bond payments will be paid from the Qualified School Construction Bond Debt Retirement Fund (debt service fund). It is secured with a pledge of Education Enhancement (EEF) Funds for buildings and buses that are to be used for repayment of the bonds. Proceeds of the bonds were used to finance capital improvements. The notes are payable partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local funds and are payable through December 17, 2026. Annual sinking fund deposits are expected to require all of the district's annual allocation of such state revenues and other local funds to complete the required debt service payments. The total amount remaining to be paid on the bonds is \$1,075,000. The total sinking fund payment required for the current year and total state Education Enhancement Fund revenue for buildings and buses was \$48,000 and \$39,892, respectively.

**BENTON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For Year Ended June 30, 2015

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill, Series 2001	5.22%	15-Apr-11	17-Apr-21	\$ 900,000	\$ 369,000

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

June 30	Principal	Interest	Total
2016	\$ 55,000	19,262	74,262
2017	58,000	16,391	74,391
2018	59,000	13,363	72,363
2019	62,000	10,283	72,283
2020	66,000	7,047	73,047
2021	69,000	3,602	72,602
Total	\$ 369,000	69,948	438,948

This debt will be retired from the Three Mill Notes Debt Retirement Fund (debt service fund).

**C. Compensated absences payable**

As more fully explained in Note 1(E)(8), 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**

**General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon

BENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* 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, 2015 was 15.75% 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, 2015, 2014 and 2013 were 983,387, \$933,704, and \$868,543, respectively, which equaled the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the school district reported a liability of \$11,774,024 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.097 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$698,304. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual Experience	\$ 183,671	\$
Net difference between projected and actual earnings on pension plan investments		1,706,731
Changes in proportion and differences between District contributions and proportionate share of Contributions		275,512
District contributions subsequent to the measurement date	983,387	
Total	\$ <u>1,167,058</u>	\$ <u>1,982,243</u>

\$983,387 reported as deferred outflows of resources related to pensions resulting from school district contributions

BENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ ( 459,719)
2017	( 459,719)
2018	( 452,451)
2019	( 426,683)

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

BENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 16,051,506	\$ 11,774,024	\$ 8,205,968

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Note 8 – Prior Period Adjustments**

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (13,807,995)
Deferred outflows - contributions made during fiscal year 2014	933,704
Total prior period adjustment related to GASB 68 and 71	(12,874,291)
2. Restatement of a prior period capital asset depreciation expenditure	(89)
3. Rounding differences	(1)
Total	<u>\$ (12,874,381)</u>

**Note 9 –Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$117,917 The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

BENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

Year Ending June 30	Amount
2016	\$ 48,000
2017	48,000
2018	48,000
2019	50,000
2020	50,000
2021 – 2025	469,000
2026 - 2027	246,000
Total	<u>\$ 959,000</u>

**Note 10 – Contingencies**

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

**Note 11 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for 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 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12 - Subsequent Events**

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Benton County School District evaluated the activity of the district through December 31, 2015, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

**BENTON COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For Year Ended June 30, 2015**

**(This page left blank intentionally)**

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,412,837	1,553,455	1,525,032	140,618	(28,423)
State sources	6,558,035	6,612,546	6,612,545	54,511	(1)
Federal sources	1,508,841	1,473,787	1,473,787	(35,054)	0
<b>Total Revenues</b>	<b>9,479,713</b>	<b>9,639,788</b>	<b>9,611,364</b>	<b>160,075</b>	<b>(28,424)</b>
<b>Expenditures:</b>					
Instruction	5,093,865	5,389,969	5,284,513	(296,104)	105,456
Support services	4,233,457	4,220,013	4,092,602	13,444	127,411
<b>Total Expenditures</b>	<b>9,327,322</b>	<b>9,609,982</b>	<b>9,377,115</b>	<b>(282,660)</b>	<b>232,867</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>152,391</b>	<b>29,806</b>	<b>234,249</b>	<b>(122,585)</b>	<b>204,443</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,211,535	1,252,658	5,098	41,123	(1,247,560)
Operating transfers out	(1,461,453)	(1,394,037)	(150,636)	67,416	1,243,401
<b>Total Other Financing Sources (Uses)</b>	<b>(249,918)</b>	<b>(141,379)</b>	<b>(145,538)</b>	<b>108,539</b>	<b>(4,159)</b>
<b>Net Change in Fund Balances</b>	<b>(97,527)</b>	<b>(111,573)</b>	<b>88,711</b>	<b>(14,046)</b>	<b>200,284</b>
<b>Fund Balances:</b>					
July 1, 2014	1,341,715	1,510,445	1,510,444	168,730	(1)
June 30, 2015	\$ 1,244,188	1,398,872	1,599,155	154,684	200,283

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Food Service Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 66,700	66,700	43,168	0	(23,532)
State sources	8,000	8,000	7,814	0	(186)
Federal sources	779,000	779,000	710,695	0	(68,305)
<b>Total Revenues</b>	<b>853,700</b>	<b>853,700</b>	<b>761,677</b>	<b>0</b>	<b>(92,023)</b>
<b>Expenditures:</b>					
Support services	97,869	105,386	83,508	(7,517)	21,878
Noninstructional services	745,965	818,176	635,943	(72,211)	182,233
<b>Total Expenditures</b>	<b>843,834</b>	<b>923,562</b>	<b>719,451</b>	<b>(79,728)</b>	<b>204,111</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>9,866</b>	<b>(69,862)</b>	<b>42,226</b>	<b>(79,728)</b>	<b>112,088</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	0	0	2,139	0	2,139
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>2,139</b>	<b>0</b>	<b>2,139</b>
<b>Net Change in Fund Balances</b>	<b>9,866</b>	<b>(69,862)</b>	<b>44,365</b>	<b>(79,728)</b>	<b>114,227</b>
<b>Fund Balances:</b>					
July 1, 2014	249,478	251,700	246,310	2,222	(5,390)
Increase in reserve for inventory	0	0	5,390	0	5,390
<b>June 30, 2015</b>	<b>\$ 259,344</b>	<b>181,838</b>	<b>296,065</b>	<b>(77,506)</b>	<b>114,227</b>

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

Required Supplementary Information

**Budgetary Comparison Schedule**

**Title I Grant**

**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 462,608	485,446	485,446	22,838	0
<b>Total Revenues</b>	<b>462,608</b>	<b>485,446</b>	<b>485,446</b>	<b>22,838</b>	<b>0</b>
<b>Expenditures:</b>					
Instruction	371,356	400,092	375,591	(28,736)	24,501
Support services	90,418	180,430	107,893	(90,012)	72,537
Noninstructional services	0	15,480	1,962	(15,480)	13,518
<b>Total Expenditures</b>	<b>461,774</b>	<b>596,002</b>	<b>485,446</b>	<b>(134,228)</b>	<b>110,556</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>834</b>	<b>(110,556)</b>	<b>0</b>	<b>(111,390)</b>	<b>110,556</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(834)	0	0	834	0
<b>Total Other Financing Sources (Uses)</b>	<b>(834)</b>	<b>0</b>	<b>0</b>	<b>834</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>(110,556)</b>	<b>0</b>	<b>(110,556)</b>	<b>110,556</b>
<b>Fund Balances:</b>					
July 1, 2014	0	0	0	0	0
June 30, 2015	\$ 0	(110,556)	0	(110,556)	110,556

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

Required Supplementary Information

**Budgetary Comparison Schedule  
21st Century Grant  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	<b>Revenues:</b>				
Federal sources	\$ 148,427	134,823	125,839	(13,604)	(8,984)
<b>Total Revenues</b>	<b>148,427</b>	<b>134,823</b>	<b>125,839</b>	<b>(13,604)</b>	<b>(8,984)</b>
<b>Expenditures:</b>					
Instruction	14,096	107,518	101,030	(93,422)	6,488
Support services	3,300	27,305	24,806	(24,005)	2,499
<b>Total Expenditures</b>	<b>17,396</b>	<b>134,823</b>	<b>125,836</b>	<b>(117,427)</b>	<b>8,987</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>131,031</b>	<b>0</b>	<b>3</b>	<b>(131,031)</b>	<b>3</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>131,031</b>	<b>0</b>	<b>3</b>	<b>(131,031)</b>	<b>3</b>
<b>Fund Balances:</b>					
July 1, 2014	0	0	0	0	0
<b>June 30, 2015</b>	<b>\$ 131,031</b>	<b>0</b>	<b>3</b>	<b>(131,031)</b>	<b>3</b>

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**  
 Required Supplementary Information

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERS**

**Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.097%
District's proportionate share of the net pension liability (asset)	\$ 11,774,024
District's covered-employee payroll	5,928,279
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.61%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**  
 Required Supplementary Information

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	983,387									
Contributions in relation to the contractually required contribution	\$ 983,387									
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0	0
District's covered-employee payroll	6,243,727									
Contributions as a percentage of covered-employee payroll	15.75%									

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

(This page left blank intentionally)

BENTON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(This page left blank intentionally)

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

Supplementary Information

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 176,641
National school lunch program	10.555	484,747
National school lunch program - donated commodities	10.555	49,306
Summer food program	10.559	2,794
Total child nutrition cluster		<u>713,488</u>
Fresh fruit and vegetable program	10.582	6,834
Total passed-through Mississippi Department of Education		<u>720,322</u>
Passed-through Benton County, Mississippi		
Cooperative Forestry Assistance	10.664	18,701
Total passed-through Benton County, Mississippi		<u>18,701</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>739,023</u></b>
<b>Federal Communications Commission</b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	154,026
<b>Total Federal Communications Commission</b>		<b><u>154,026</u></b>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	488,262
Career and technical education - basic grants to states	84.048	19,356
21st century community learning centers	84.287	125,839
Rural education	84.358	7,410
Improving teacher quality-State Grants	84.367	94,439
Subtotal		<u>735,306</u>
Special education cluster:		
Special education - grants to states	84.027	275,287
Special education - preschool grants	84.173	14,907
Total special education cluster		<u>290,194</u>
Total passed-through Mississippi Department of Education		1,025,500
<b>Total U.S. Department of Education</b>		<b><u>1,025,500</u></b>
<b>U. S. Department of Health and Human Services</b>		
Passed-through Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	10,560
Total medicaid cluster		<u>10,560</u>
Total passed-through Mississippi Department of Education		<u>10,560</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>10,560</u></b>
<b>Total for All Federal Awards</b>		<b><u>\$ 1,929,109</u></b>

**NOTES TO SCHEDULE**

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

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 8,665,683	6,408,132	499,337	724,627	1,033,587
Other	3,383,143	889,101	220,992	34,228	2,238,822
<b>Total</b>	<b>\$ 12,048,826</b>	<b>7,297,233</b>	<b>720,329</b>	<b>758,855</b>	<b>3,272,409</b>
<b>Total number of students *</b>	<b>1,204</b>				
<b>Cost per student</b>	<b>\$ 10,007</b>	<b>6,061</b>	<b>598</b>	<b>630</b>	<b>2,718</b>

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

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

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

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

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

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

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	* 2014	* 2013	* 2012
<b>Revenues:</b>				
Local sources	\$ 1,525,032	1,424,413	1,401,911	1,702,798
State sources	6,612,545	6,113,082	6,134,375	6,206,617
Federal sources	1,473,787	1,591,523	1,980,322	1,284,734
<b>Total Revenues</b>	<b>9,611,364</b>	<b>9,129,018</b>	<b>9,516,608</b>	<b>9,194,149</b>
<b>Expenditures:</b>				
Instruction	5,284,513	4,757,794	4,906,722	4,702,240
Support services	4,092,602	3,872,063	4,181,244	3,861,264
Facilities acquisition and construction			42,853	
<b>Total Expenditures</b>	<b>9,377,115</b>	<b>8,629,857</b>	<b>9,130,819</b>	<b>8,563,504</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>234,249</b>	<b>499,161</b>	<b>385,789</b>	<b>630,645</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recovery				3,305
Sale of transportation equipment				9,544
Operating transfers in	5,098	5,508	28,272	88,659
Operating transfers out	(150,636)	(219,601)	(193,479)	(1,329,477)
<b>Total Other Financing Sources (Uses)</b>	<b>(145,538)</b>	<b>(214,093)</b>	<b>(165,207)</b>	<b>(1,227,969)</b>
<b>Net Change in Fund Balances</b>	<b>88,711</b>	<b>285,068</b>	<b>220,582</b>	<b>(597,324)</b>
<b>Fund Balances:</b>				
Beginning of period	1,510,444	1,225,376	1,004,794	1,602,118
End of Period	\$ 1,599,155	1,510,444	1,225,376	1,004,794

\*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2015	* 2014	* 2013	* 2012
<b>Revenues:</b>				
Local sources	\$ 1,868,690	1,586,965	1,606,161	1,986,523
State sources	7,129,372	6,572,768	6,654,746	6,724,480
Federal sources	3,219,609	3,546,578	3,973,925	3,280,011
<b>Total Revenues</b>	<b>12,217,671</b>	<b>11,706,311</b>	<b>12,234,832</b>	<b>11,991,014</b>
<b>Expenditures:</b>				
Instruction	6,483,065	5,987,776	6,095,536	6,132,397
Support services	4,624,686	4,481,706	4,868,838	4,405,548
Noninstructional services	649,836	761,150	716,135	879,719
Facilities acquisition and construction services	202,040		451,934	1,676,392
Debt service:				
Principal	52,000	49,000	797,635	93,247
Interest	35,949	44,972	107,933	45,264
Other	1,250			
<b>Total Expenditures</b>	<b>12,048,826</b>	<b>11,324,604</b>	<b>13,038,011</b>	<b>13,232,567</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>168,845</b>	<b>381,707</b>	<b>(803,179)</b>	<b>(1,241,553)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recovery				3,305
Sale of transportation equipment				9,544
Operating transfers in	157,873	280,477	221,752	1,421,028
Other financing sources				669,134
Operating transfers out	(157,873)	(280,477)	(221,752)	(1,421,028)
Other financing uses		(48,000)	(40,860)	(710,681)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(48,000)</b>	<b>(40,860)</b>	<b>(28,698)</b>
<b>Net Change in Fund Balances</b>	<b>168,845</b>	<b>333,707</b>	<b>(844,039)</b>	<b>(1,270,251)</b>
<b>Fund Balances:</b>				
Beginning of period	1,881,903	1,550,547	2,393,910	3,662,888
Increase (Decrease) in reserve for inventory	5,390	(2,351)	676	1,273
<b>End of Period</b>	<b>\$ 2,056,138</b>	<b>1,881,903</b>	<b>1,550,547</b>	<b>2,393,910</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

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

Superintendent and School Board  
Benton County School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Benton County School District's basic financial statements, and have issued our report thereon dated December 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Benton County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Benton County School District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness (2015-01). *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

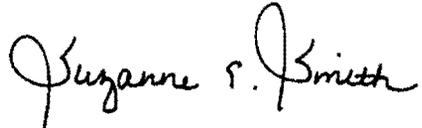
POST OFFICE BOX 102  
BRANDON, MISSISSIPPI 39043  
PHONE: 601-938-5717

### **District's Response to Findings**

The district's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. Benton County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
December 31, 2015

**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

**Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133**

Superintendent and School Board  
Benton County School District

**Report on Compliance for Each Major Federal Program**

We have audited Benton County 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 Benton County School District's major federal programs for the year ended June 30, 2015. Benton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Benton County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton County 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Benton County School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Benton County School District complied, in all material respects, with the types of 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, 2015.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-02 and 2015-03. Our opinion on each major federal program is not modified with respect to these matters.

POST OFFICE BOX 102  
BRANDON, MISSISSIPPI 39043  
PHONE: 601-938-5717

Benton County School District's response to the noncompliance findings identified in our audit are described in the accompanying auditee corrective action plan. The district's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

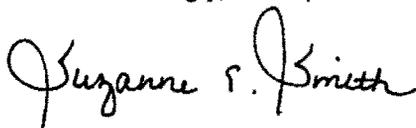
Management of Benton County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Benton County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Benton County 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2015-02 and 2015-03 that we consider to be significant deficiencies.

Benton County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying auditee corrective action plan. The district's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
December 31, 2015

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

(This page left blank intentionally)

**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

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

Superintendent and School Board  
Benton County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benton County School District as of and for the year ended June 30, 2015, which collectively comprise Benton County School District's basic financial statements and have issued our report thereon dated December 31, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations.

Finding SL-A. Violations of State Purchasing Laws. Finding: The district is required by Section 31-7-13, Miss. Code Ann. (1972), to demonstrate compliance with state purchasing laws in the purchasing of district commodities. In our testing of 107 transactions of non-payroll expenditures, we noted two (2) instances where the district was not able to provide documentation to show that the district complied with state purchasing laws.

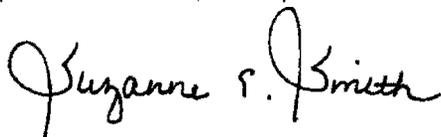
Recommendation: We recommend that the district comply with state purchasing laws when the amount encumbered by a single purchase order for the purchase of commodities meets applicable thresholds for the introduction of competitive quotes or bids into the purchasing cycle. We further recommend that the district maintain on file the documentation to show such compliance in the form of quotes and/or competitive bids.

District Response: In complying with state purchasing laws, we will begin maintaining, as part of the paid claims packet, documentation to show compliance with state purchasing laws.

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

The Benton County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
December 31, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

**BENTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I: Summary of Auditor's Results**

Financial Statements:

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

Federal Awards:

- |    |  |   |
|----|--|---|
| 4. | Internal control over major programs:  |   |
|    | a. Material weaknesses identified?   | No  |
|    | b. Significant deficiencies identified?  | Yes                                       |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unmodified                                |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes                                       |
| 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                   |
|    | 84.027; 84.173   | Special Education Cluster                 |
| 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**

*Deficiencies Identified as Material Weaknesses in Internal Controls Over Reporting*

Finding 2015-01. Deficiencies in Controls Surrounding Capital Assets and Related Expenditures.

Criteria: The school district is charged with maintaining subsidiary records of capital assets and a control system surrounding the identification of such assets, the placement of inventory tags on the assets, and an ongoing accounting for the assets identified. Such a system includes the prompt identification and tagging of capital assets, correct and current

records of the assets, and a physical inventory performed at least annually.

Condition: Our testing of non-payroll expenditures revealed the following deficiencies surrounding capital assets and related capital asset expenditures: One (1) instance where an appropriate accounting code object was not used to designate the purchase as a purchase of a capital asset; Four (4) instances totaling \$228,640 where capital equipment was not identified, tagged, and added to the subsidiary equipment records; Numerous instances where errors were made as to identification, location and room number of computers purchased with federal award dollars.

Questioned Costs: None

Cause: The cause is the failure of the controls surrounding this control cycle and the failure of the district to monitor the effectiveness of the controls.

Effect: The effect of this condition was an understatement of capital assets of \$228,640 and an understatement of current year depreciation expense of \$11,844, along with an understatement of accumulated depreciation at June 30, 2015, of \$11,844. The net effect on the Statement of Net Assets was an understatement of \$216,796. The district accepted and posted adjustments to correct this misstatement.

Recommendation: We recommend that the district begin a review of the controls surrounding capital assets and related expenditures and make needed changes in the controls in order to correct these identified deficiencies. The district should further take steps to monitor the controls surrounding this control cycle.

### **Section III: Federal Award Findings and Questioned Costs**

*Significant Deficiencies in Internal Control over Compliance and Non-Compliance not considered to be Material.*

#### **Finding 2015-02. Title I Cluster – Equipment Management. CFDA 84.010**

Criteria: The School District is charged with maintaining subsidiary records of capital assets and a control system surrounding the identification of such assets, the placement of inventory tags on the assets, and an ongoing accounting for the assets identified. Such a system includes the prompt identification and tagging of such assets, correct and current records of the assets, and a physical inventory performed at least annually.

Condition: Our testing of non-payroll expenditures revealed the following deficiencies surrounding capital assets and related capital asset expenditures: Three (3) instances where errors were made as to identification of the location and room number for groups of computers purchased with federal award dollars.

Questioned Costs: None

Cause: The cause is the failure of the controls surrounding this control cycle and the failure of the district to monitor the effectiveness of the controls.

Effect: The effect of this condition is as follows: Of sixty (60) computers purchased with Title I federal awards dollars in November 2014, two (2) computers were added to subsidiary records with the same serial number, and twenty-nine (29) computers were shown to be located at an incorrect location. Of forty-seven (47) computers purchased with Title I federal award dollars in November 2014, one (1) computer was added to the system but referenced under an incorrect purchase order number and at an incorrect location. Of fifty (50) computers purchased in September 2014 with Title I federal award dollars, two (2) assets were assigned the same serial number; one (1) asset was not included in the subsidiary ledger; and one (1) asset was shown to be located at an incorrect location. Physical verification of the computers as part of audit procedures revealed that all computers were located and being used at the correct school locations. The errors were made as part of actual recordkeeping procedures.

Recommendation: We recommend that the district begin a review of the controls surrounding capital assets and related expenditures and make needed changes in the controls in order to correct these identified deficiencies. The district should further take steps to monitor the controls surrounding this control cycle.

#### **Repeat Finding 2015-03. Child Nutrition Cluster – Special Tests and Provisions. CFDA # 10.553, 10.555, 10.559**

Criteria: By November 15 of each school year, the School District must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The verification sample size is based on the total number of approved applications on file on October 1<sup>st</sup>.

Condition: Our testing of four (4) of the thirteen (13) household applications verified revealed that while the verification documentation supported the need for a status change of a child eating free to reduced, the status of the child was not changed in the system.

Cause: The cause is not known.

Effect: Inaccurate information was listed on the verification summary report for one child. The child continued to receive free meals after verification when the child should have been receiving reduced price meals.

Questioned Costs: None

Recommendation: Controls should be implemented to ensure that information included on the verification summary reports agrees with actual documentation provided during the process of verification.

(This page left blank)

# Benton County School District

## Steve Bostick, Superintendent

Voice (662) 224-6252  
Fax (662) 224-3607  
www.benton.k12.ms.us

### Physical Address

231 Court Street  
Ashland, MS 38603

### Mailing Address

P.O. Box 247  
Ashland, MS 38603



Walter Moore, Assistant Superintendent  
Carroll Mason, III, Business Manager  
Lanice Gaillard, Special Services Director  
Catriece Braddock, Food Service Director  
Glossie Terry, Technology Coordinator  
Amy Smith, Human Resource Director  
Sherrie Davis, Purchasing Clerk  
Rita Morgan, Administrative Assistant

### AUDITEE'S CORRECTIVE ACTION PLAN

#### Finding 2015-01. Deficiencies in Controls Surrounding Capital Assets and Related Expenditures.

The superintendent and business manager will recommend to the board the creation of an additional position at the school level that will be responsible for maintaining a list of all acquisitions throughout the year. This person will report directly to the business manager and will work with them to ensure that all assets that need to be capitalized are done so properly. This position will be recommended during the February 2016 board meeting.

#### Finding 2015-02. Title I Cluster – Equipment Management. CFDA 84.010

Please reference the Finding 2015-01 response.

#### Finding 2015-03. Child Nutrition Cluster – Special Tests and Provisions. CFDA # 10.553, 10.555

The Food Director shall ensure controls are implemented. Secondly, the director will guarantee all documentation information provided is accurate. All necessary status changes will be completed in the system. Lastly, the information on the summary reports and provided documentation information provided during the verification process shall be in agreement. This will begin immediately.

(This page left blank intentionally)

# Benton County School District

## Steve Bostick, Superintendent

Voice (662) 224-6252  
Fax (662) 224-3607  
[www.benton.k12.ms.us](http://www.benton.k12.ms.us)

Physical Address  
231 Court Street  
Ashland, MS 38603

Mailing Address  
P.O. Box 247  
Ashland, MS 38603



Walter Moore, Assistant Superintendent  
Carroll Mason, III, Business Manager  
Lanice Gaillard, Special Services Director  
Catriece Braddock, Food Service Director  
Glossie Terry, Technology Coordinator  
Amy Smith, Human Resource Director  
Sherrie Davis, Purchasing Clerk  
Rita Morgan, Administrative Assistant

### FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS

Finding 2014-01 Program CFDA#: 10.553, 10.555 and 10.559. Program Name: Child Nutrition Cluster  
Compliance Requirement: Special Tests and Provisions

Current Status: Current Year Finding at 2015-03.

(This page left blank intentionally)