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BENTON COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

BENTON COUNTY SCHOOL DISTRICT TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of	
Revenues, Expenditures and Changes in Fund Balances	
to the Statement of Activities	20
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	42
Budgetary Comparison Schedule – General Fund	43
Budgetary Comparison Schedule – Food Service Fund	44
Schedule of the District’s Proportionate Share of the Net Pension Liability	45
Schedule of District Contributions (PERS)	46
Schedule of the District’s Proportionate Share of the Net OPEB Liability	47
Schedule of District Contributions (OPEB)	48
Notes to the Required Supplementary Information	49
SUPPLEMENTARY INFORMATION	53
Schedule of Expenditures of Federal Awards	54
Notes to the Supplementary Information	55
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	56
OTHER INFORMATION	57
Statement of Revenues, Expenditures and Changes in Fund Balances –	
General Fund, Last Four Years	58
Statement of Revenues, Expenditures and Changes in Fund Balances –	
All Governmental Funds, Last Four Years	59
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	60
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>	61
Independent Auditor’s Report on Compliance for Each Major Federal	
Program and Report on Internal Control Over Compliance Required by	
the Uniform Guidance	63
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS	
AND REGULATIONS	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	69
AUDITEE’S CORRECTIVE ACTION PLANS	73
SUMMARY OF PRIOR AUDIT FINDINGS	78

INDEPENDENT AUDITOR'S REPORT

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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, 2021, 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 6-13, 43-44, 45, 46, 47 and 48, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 October 11, 2022, 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 the effectiveness of the Benton County School District's 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.

Tupelo, MS
October 11, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

Benton County School District

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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 2021 decreased \$263,496, including prior period adjustments of \$33,089, which represents a 3% decrease from fiscal year 2020. Total net position for 2020 decreased \$461,051, including prior period adjustments of (\$56,857), which represents a 5% decrease from fiscal year 2019.

General revenues amounted to \$9,268,550 and \$9,418,332, or 75% and 82% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,075,920 or 25% of total revenues for 2021, and \$2,017,546, or 18% of total revenues for 2020.

The District had \$12,641,055 and \$11,840,072 in expenses for fiscal years 2021 and 2020; only \$3,075,920 for 2021 and \$2,017,546 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,268,550 for 2021 and \$9,418,332 for 2020 were not adequate to provide for these programs.

Among major funds, the General Fund had \$9,350,031 in revenues, \$8,909,292 in expenditures, and \$365,028 in net other financing uses for 2021, and \$9,687,168 in revenues, \$8,911,384 in expenditures, and \$518,167 in net other financing uses for 2020. The General Fund's fund balance increased by \$108,750, including prior period adjustments of \$33,039, from 2020 to 2021, and increased by \$229,782, including prior period adjustments of (\$27,835) from 2019 to 2020.

Among major funds, the Food Service Fund had \$628,067 in revenues, \$665,403 in expenditures, and \$4,746 in other financing sources for 2021, and \$490,937 in revenues, \$732,531 in expenditures, and \$50,000 in other financing sources for 2020. The Food Service Fund's fund balance decreased by \$51,068, including a decrease in reserve for inventory of \$18,528, from 2020 to 2021, and decreased by \$191,594, including an increase in reserve for inventory of \$14,355, from 2019 to 2020.

Capital assets, net of accumulated depreciation, decreased by \$213,357 for 2021 and decreased by \$285,252 for 2020. The decrease for 2021 was due primarily to the recording of depreciation expense, and the decrease for 2020 was due primarily to disposal of buses and vehicles and the recording of depreciation expense.

Long-term debt increased by \$681,000 for 2021 and decreased by \$66,000 for 2020. The increase for 2021 was primarily due to the issuance of a three mill note, and the decrease for 2020 was due to principal payments on existing long-term debt. The liability for compensated absences decreased by \$16,668 for 2021 and increased by \$8,595 for 2020.

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 non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the remainder reported as "net position." Over time, increases or decreases in the 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, pension expense, other post-employment benefits (OPEB) 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 are categorized as governmental funds.

Governmental funds – All 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.

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

Certain other outflows and inflows 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, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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. For the governmental activities of the district, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,246,476 as of June 30, 2021.

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

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	Governmental Activities		Percentage
	2021	2020	Change
Current assets	\$ 4,283,677	3,683,818	16.28%
Restricted assets	442,065	394,542	12.05%
Capital assets, net	5,207,799	5,421,156	-3.94%
Total assets	9,933,541	9,499,516	4.57%
Deferred outflows of resources	2,376,705	1,546,929	53.64%
Current liabilities	645,723	841,109	-23.23%
Long-term debt	1,917,162	1,252,830	53.03%
Net pension liability	18,037,791	16,755,827	7.65%
Net OPEB liability	1,051,720	1,241,265	-15.27%
Total liabilities	21,652,396	20,091,031	7.77%
Deferred inflows of resources	904,326	938,394	-3.63%
Net position:			
Net investment in capital assets	3,382,799	4,277,156	-20.91%
Restricted	1,462,132	690,890	111.63%
Unrestricted	(15,091,407)	(14,951,026)	-0.94%
Total net position	\$ (10,246,476)	(9,982,980)	-2.64%

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

- Increase in cash in the amount of \$1,142,225, primarily due to an increase in grant reimbursements due from other governments and proceeds from the issuance of a \$750,000 three mill note.
- Decrease in net capital assets in the amount of \$213,357, primarily due to depreciation expense of \$229,911.
- Increase in long-term debt in the amount of \$664,332 primarily due to the issuance of a \$750,000 three mill note.

Additional information on unrestricted net position:

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

	Governmental Activities
Total unrestricted net position (deficit)	\$ (15,091,407)
Unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows	17,617,132
Unrestricted net position exclusive of the aforementioned effects	\$ 2,525,725

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$12,344,470 and \$11,435,878, respectively. The total cost of all programs and services was \$12,641,055 for 2021 and \$11,840,072 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	Governmental Activities		
	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 136,009	\$ 183,293	-25.80%
Operating grants and contributions	2,939,911	1,834,253	60.28%
General revenues:			
Property taxes	1,769,492	1,685,076	5.01%
Grants and contributions not restricted	7,331,477	7,668,483	-4.39%
Investment earnings	16,386	52,035	-68.51%
Other	151,195	12,738	1086.96%
Total revenues	<u>12,344,470</u>	<u>11,435,878</u>	7.95%
Expenses:			
Instruction	6,260,832	5,876,578	6.54%
Support services	4,378,891	3,781,736	15.79%
Non-instructional	561,462	603,625	-6.98%
Pension expense	1,344,457	1,420,530	-5.36%
OPEB expense	12,283	75,632	-83.76%
Interest on long-term liabilities	83,130	81,971	1.41%
Total expenses	<u>12,641,055</u>	<u>11,840,072</u>	6.77%
Change in net position	<u>(296,585)</u>	<u>(404,194)</u>	26.62%
Net Position, July 1, as previously reported	(9,982,980)	(9,521,929)	-4.84%
Prior Period Adjustments	<u>33,089</u>	<u>(56,857)</u>	158.20%
Net Position, July 1, as restated	<u>(9,949,891)</u>	<u>(9,578,786)</u>	-3.87%
Net Position, June 30	<u>\$ (10,246,476)</u>	<u>\$ (9,982,980)</u>	-2.64%

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, pension expense, OPEB 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.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change	Net (Expense) Revenue		Percentage Change
	2021	2020		2021	2020	
Instruction	\$ 6,260,832	\$ 5,876,578	6.54%	\$ (4,982,062)	\$ (4,919,785)	-1.27%
Support services	4,378,891	3,781,736	15.79%	(3,199,402)	(3,253,052)	1.65%
Non-instructional	561,462	603,625	-6.98%	1,902	(123,318)	101.54%
Pension expense	1,344,457	1,420,530	-5.36%	(1,344,457)	(1,420,530)	5.36%
OPEB expense	12,283	75,632	-83.76%	(12,283)	(75,632)	83.76%
Interest on long-term liabilities	83,130	81,971	1.41%	(28,833)	(30,209)	4.55%
	<u>\$ 12,641,055</u>	<u>\$ 11,840,072</u>	6.77%	<u>\$ (9,565,135)</u>	<u>\$ (9,822,526)</u>	2.62%

Net cost of governmental activities ((\$9,565,135) for 2021 and (\$9,822,526) for 2020), was financed by general revenue, which is primarily made up of property taxes (\$1,769,492 for 2021 and \$1,685,076 for 2020) and state and federal revenues (\$7,331,477 for 2021 and \$7,668,483 for 2020).

Investment earnings amounted to \$16,386 for 2021 and \$52,035 for 2020.

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 \$4,085,118, an increase of \$839,952 which includes prior period adjustments of \$33,089 and a decrease in inventory of \$18,528. \$2,608,853 or 64% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$1,476,265 or 36% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$108,750, which includes prior period adjustments of \$33,039. The fund balance of Other Governmental Funds showed an increase of \$43,700. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)	Additional Factors Included	Amount
Food Service Fund	\$ (51,068)	Decrease in reserve for inventory	\$ (18,528)
Capital Projects Fund	738,570		

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 each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$9,997,455, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$16,554 from 2020. Total accumulated depreciation as of June 30, 2021, was \$4,789,656, and total depreciation expense for the year was \$229,911, resulting in total net capital assets of \$5,207,799.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 76,983	\$ 76,983	0.00%
Buildings	3,478,880	3,595,886	-3.25%
Building Improvements	1,485,077	1,577,990	-5.89%
Improvements other than buildings	27,426	29,140	-5.88%
Mobile equipment	122,226	133,768	-8.63%
Furniture and equipment	17,207	7,389	132.87%
	<u>\$ 5,207,799</u>	<u>\$ 5,421,156</u>	-3.94%

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

Debt Administration. At June 30, 2021, the District had \$1,825,000 in outstanding long-term debt, of which \$8,000 is due within one year. The liability for compensated absences decreased \$16,668 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Qualified school construction bonds payable	\$ 1,075,000	\$ 1,075,000	0.00%
Three mill notes payable	750,000	69,000	986.96%
Compensated absences payable	92,162	108,830	-15.32%
	<u>\$ 1,917,162</u>	<u>\$ 1,252,830</u>	53.03%

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.

The District consists of Ashland Elementary School, Ashland High School, and Hickory Flat Attendance Center.

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

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, P.O. Box 247, Ashland, Mississippi 38603.

FINANCIAL STATEMENTS

BENTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,088,102
Due from other governments	186,541
Inventories	9,034
Restricted assets	442,065
Capital assets, non-depreciable:	
Land	76,983
Capital assets, net of accumulated depreciation:	
Buildings	3,478,880
Building improvements	1,485,077
Improvements other than buildings	27,426
Mobile equipment	122,226
Furniture and equipment	17,207
Total Assets	<u>9,933,541</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,136,389
Deferred outflows - OPEB	240,316
Total deferred outflows of resources	<u>2,376,705</u>
Liabilities	
Accounts payable and accrued liabilities	619,677
Unearned revenue	20,947
Interest payable on long-term liabilities	5,099
Long-term liabilities, due within one year:	
Capital related liabilities	8,000
Net OPEB liability	34,600
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,817,000
Non-capital related liabilities	92,162
Net pension liability	18,037,791
Net OPEB liability	1,017,120
Total Liabilities	<u>21,652,396</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	570,299
Deferred inflows - OPEB	334,027
Total deferred inflows of resources	<u>904,326</u>
Net Position	
Net investment in capital assets	3,382,799
Restricted for:	
Expendable:	
School-based activities	251,561
Debt service	442,559
Capital improvements	738,570
Unemployment benefits	29,442
Unrestricted	(15,091,407)
Total Net Position	<u>\$ (10,246,476)</u>

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

**BENTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Exhibit B

Exhibit B				Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 6,260,832	123,837	1,154,933	(4,982,062)
Support services	4,378,891		1,179,489	(3,199,402)
Non-instructional	561,462	12,172	551,192	1,902
Pension expense	1,344,457			(1,344,457)
OPEB expense	12,283			(12,283)
Interest on long-term liabilities	83,130		54,297	(28,833)
Total Governmental Activities	\$ 12,641,055	136,009	2,939,911	(9,565,135)
General Revenues:				
Taxes:				
General purpose levies				\$ 1,676,852
Debt purpose levies				92,640
Unrestricted grants and contributions:				
State				6,026,408
Federal				1,305,069
Unrestricted investment earnings				16,386
Other				151,195
Total General Revenues				9,268,550
Change in Net Position				(296,585)
Net Position - Beginning, as previously reported				(9,982,980)
Prior Period Adjustments				33,089
Net Position - Beginning, as restated				(9,949,891)
Net Position - Ending				\$ (10,246,476)

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

**BENTON COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021**

Exhibit C	Major Funds			Other	Total
	General Funds	Food Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,082,894	127,010	738,570	139,628	4,088,102
Investments				442,065	442,065
Due from other governments	104,272	427		81,842	186,541
Due from other funds	187,027			8,000	195,027
Inventories		9,034			9,034
Total Assets	<u>\$ 3,374,193</u>	<u>136,471</u>	<u>738,570</u>	<u>671,535</u>	<u>4,920,769</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 525,933	30,318		63,426	619,677
Due to other funds	8,000	111,448		75,579	195,027
Unearned revenue				20,947	20,947
Total Liabilities	<u>533,933</u>	<u>141,766</u>	<u>-0-</u>	<u>159,952</u>	<u>835,651</u>
Fund Balances:					
Nonspendable:					
Inventory		9,034			9,034
Restricted:					
Debt service				447,658	447,658
Capital projects			738,570		738,570
Unemployment benefits				29,442	29,442
Grant activities				34,483	34,483
Assigned:					
School activities	217,078				217,078
Unassigned	<u>2,623,182</u>	<u>(14,329)</u>			<u>2,608,853</u>
Total Fund Balances	<u>2,840,260</u>	<u>(5,295)</u>	<u>738,570</u>	<u>511,583</u>	<u>4,085,118</u>
Total Liabilities and Fund Balances	<u>\$ 3,374,193</u>	<u>136,471</u>	<u>738,570</u>	<u>671,535</u>	<u>4,920,769</u>

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

**BENTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Exhibit C-1

Total fund balances for governmental funds \$ 4,085,118

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	837,512	
Furniture and equipment	409,636	
Accumulated depreciation	<u>(4,789,656)</u>	5,207,799

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

Net pension liability	(18,037,791)
Net OPEB liability	(1,051,720)

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

Deferred outflows of resources related to pensions	2,136,389	
Deferred inflows of resources related to pensions	(570,299)	
Deferred outflows of resources related to OPEB	240,316	
Deferred inflows of resources related to OPEB	<u>(334,027)</u>	1,472,379

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

Three mill notes payable	(750,000)	
Qualified school construction bonds	(1,075,000)	
Compensated absences	(92,162)	
Accrued interest payable	<u>(5,099)</u>	(1,922,261)

Net position of governmental activities \$ (10,246,476)

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

**BENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

Exhibit D	Major Funds			Other	Total
	General Fund	Food Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 1,964,120	12,501		93,027	2,069,648
Intermediate sources	10,900				10,900
State sources	6,069,942			314,334	6,384,276
Federal sources	1,305,069	615,566		1,955,576	3,876,211
Total Revenues	9,350,031	628,067	-0-	2,362,937	12,341,035
Expenditures:					
Instruction	5,382,333			1,352,532	6,734,865
Support services	3,526,959	76,996		1,180,096	4,784,051
Noninstructional services		588,407		6,809	595,216
Debt service:					
Principal				69,000	69,000
Interest				70,789	70,789
Other			11,430	3,727	15,157
Total Expenditures	8,909,292	665,403	11,430	2,682,953	12,269,078
Excess (Deficiency) of Revenues over (under) Expenditures	440,739	(37,336)	(11,430)	(320,016)	71,957
Other Financing Sources (Uses):					
Payments held by QSCB escrow agent				50,000	50,000
Payments to QSCB escrow agent				(50,000)	(50,000)
Proceeds of notes			750,000		750,000
Sale of transportation equipment	3,434				3,434
Operating transfers in	4,114	4,746		431,971	440,831
Operating transfers out	(372,576)			(68,255)	(440,831)
Total Other Financing Sources (Uses)	(365,028)	4,746	750,000	363,716	753,434
Net Change in Fund Balances	75,711	(32,590)	738,570	43,700	825,391
Fund Balances:					
July 1, 2020, as previously reported	2,731,510	45,773	-0-	467,883	3,245,166
Prior period adjustments	33,039	50			33,089
July 1, 2020, as restated	2,764,549	45,823	-0-	467,883	3,278,255
Decrease in reserve for inventory		(18,528)			(18,528)
June 30, 2021	\$ 2,840,260	(5,295)	738,570	511,583	4,085,118

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

**BENTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 825,391

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	16,554	
Depreciation expense	<u>(229,911)</u>	(213,357)

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	69,000	
Proceeds from issuance of debt	(750,000)	
Accrued interest payable	<u>2,816</u>	(678,184)

3. Some items relating to pensions and OPEB 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	(1,344,457)	
Contributions subsequent to the measurement date - Pension	1,093,565	
OPEB expense	(12,283)	
Contributions subsequent to the measurement date - OPEB	<u>34,600</u>	(228,575)

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

Change in compensated absences	16,668	
Change in inventory reserve	<u>(18,528)</u>	<u>(1,860)</u>

Change in net position of governmental activities \$ (296,585)

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

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

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.

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 district.

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.

Government-wide and Fund 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, deferred outflows, liabilities, and deferred inflows, 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 for 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 properly included among program revenues are reported instead as general revenues.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Food Service Fund - This is a special revenue fund that is used to account for transactions related to the district's school breakfast and lunch programs.

Capital Projects Fund – This is the district's fund that is used to account for transactions related to the district's capital assets and capital projects.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Measurement Focus and Basis of Accounting

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

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2014, issued by the U.S. Department of Education.

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.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents.

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

Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in 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.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 those 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 amounts 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.

This District currently reports deferred pension outflows of resources related to the implementation of GASB 68. The District also reports deferred OPEB outflows of resources related to the implementation of GASB 75.

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.

The District currently reports deferred pension inflows of resources related to the implementation of GASB 68. The District also reports deferred OPEB inflows of resources related to the implementation of GASB 75.

See note 14 for further details.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

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. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits become due. Investments are reported at fair value as determined by the state.

12. 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:

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 by resolution of the Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are not restricted. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted. Assignments of fund balance, pursuant to authority established by the Board, are created by the superintendent and business manager.

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 or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (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 (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 assigned amounts first, followed by unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of received revenues (expenditures). If the unassigned fund balance at fiscal year-end falls below the goal, the District will develop a restoration plan to achieve and maintain the minimum fund balance.

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, Leases, and Implementation Guide No. 2019-3, Leases, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds (2) investment trust funds (3) private purpose trust funds, and (4) custodial funds.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

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 districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit 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 was \$4,088,102.

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 the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$4,408,586 was exposed to custodial credit risk.

Investments

As of June 30, 2021, the district had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Amount</u>
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	N/A	\$ 442,065

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 2: Cash and Cash Equivalents, and Investments (Continued)

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2021: QSCB Construction Bonds Common Trust Funds 2012-A of \$442,065 are valued using quoted market prices (Level 1 inputs).

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 of 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.

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	Food Service	\$ 111,448
General Fund	Other governmental funds	75,579
Other governmental funds	General Fund	8,000
Total		<u>\$ 195,027</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.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Food Service Fund	\$ 4,746
General Fund	Other governmental funds	367,830
Other governmental funds	General Fund	4,114
Other governmental funds	Other governmental funds	64,141
Total		<u>\$ 440,831</u>

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

BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Note 4: Restricted Assets

Restricted assets represent the legally restricted cash and investment balances of the following funds:

Funds with Restricted Balances	Account	Amount
QSCB Bond Retirement Fund	Investments	\$ 442,065

Note 5: Capital Assets

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

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 76,983			\$ 76,983
Total non-depreciable capital assets	76,983	-0-	-0-	76,983
<u>Depreciable capital assets:</u>				
Buildings	6,307,642			6,307,642
Building improvements	2,322,829			2,322,829
Improvements other than buildings	42,853			42,853
Mobile equipment	837,512			837,512
Furniture and equipment	393,082	16,554		409,636
Total depreciable capital assets	9,903,918	16,554	-0-	9,920,472
<u>Less accumulated depreciation for:</u>				
Buildings	2,711,756	117,006		2,828,762
Building improvements	744,839	92,913		837,752
Improvements other than buildings	13,713	1,714		15,427
Mobile equipment	703,744	11,542		715,286
Furniture and equipment	385,693	6,736		392,429
Total accumulated depreciation	4,559,745	229,911	-0-	4,789,656
Total depreciable capital assets, net	5,344,173	(213,357)	-0-	5,130,816
Governmental activities capital assets, net	\$ 5,421,156	(213,357)	-0-	\$ 5,207,799

Depreciation expense was charged to the following functions:

	Amount
Instruction	\$ 159,153
Support services	49,766
Non-instructional	20,992
Total governmental activities depreciation expense	\$ 229,911

BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Note 6: Long-term Liabilities

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

	Balance 07/01/20	Additions	Reductions	Balance 06/30/21	Amounts due within one year
A Qualified school construction bonds payable	\$ 1,075,000			1,075,000	-0-
B Three mill notes payable	69,000	750,000	69,000	750,000	8,000
C Compensated absences	108,830		16,668	92,162	-0-
Total	<u>\$ 1,252,830</u>	<u>750,000</u>	<u>85,668</u>	<u>1,917,162</u>	<u>8,000</u>

A. Qualified School Construction Bonds Payable.

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable	0%	12/17/2010	12/17/2026	\$ 1,075,000	\$ 1,075,000

The Qualified School Construction Bond (QSCB) was issued at a nominal interest rate. Investors receive federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows the state and local governments to borrow without incurring interest costs.

B. Three mill note payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2021	1.70%	6/15/2021	6/15/2031	\$ 750,000	\$ 750,000
Total				<u>\$ 750,000</u>	<u>\$ 750,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 8,000	12,750	20,750
2023	8,000	12,614	20,614
2024	8,000	12,478	20,478
2025	9,000	12,342	21,342
2026	9,000	12,189	21,189
2027-2031	<u>708,000</u>	<u>36,839</u>	<u>744,839</u>
Total	<u>\$ 750,000</u>	<u>99,212</u>	<u>849,212</u>

This debt will be retired from the Three Mill Notes Debt Retirement Fund.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 6: Long-term Liabilities (Continued)

C. Compensated absences payable.

As more fully explained in Note 1(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 is available at www.pers.ms.gov.

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 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.

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, 2021 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$1,093,565, \$1,076,036, and \$977,002, respectively, which equaled the required contributions for each year.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 7: Defined Benefit Pension Plan (Continued)

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

At June 30, 2021, the school district reported a liability of \$18,037,791 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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. The school district's proportionate share used to calculate the June 30, 2021 net pension liability was 0.093176 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.002071 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,344,457. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 156,570	\$
Net difference between projected and actual earnings on pension plan investments	740,923	
Changes of assumptions	100,903	
Changes in proportion and differences between District contributions and proportionate share of contributions	44,428	570,299
District contributions subsequent to the measurement date	1,093,565	
Total	\$ 2,136,389	\$ 570,299

\$1,093,565 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ (308,620)
2023	259,757
2024	282,638
2025	238,750
Total	\$ 472,525

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 7: Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 - 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the 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 asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27 %	4.90 %
International Equity	22	4.75
Global Equity	12	5.00
Fixed Income	20	0.50
Real Estate	10	4.00
Private Equity	8	6.25
Cash	1	0.00 %
Total	100 %	

Discount rate. The discount rate used to measure the total pension liability was 7.75 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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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 members. 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.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 7: Defined Benefit Pension Plan (Continued)

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 7.75 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 one (1) percentage-point lower (6.75 percent) or one (1) percentage-point higher (8.75 percent) than the current rate (7.75 percent):

	1% Decrease 6.75%	Current Discount Rate (7.75%)	1% Increase 8.75%
District's proportionate share of the net pension liability	\$ 23,347,704	\$ 18,037,791	\$ 13,654,979

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: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided. The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 8: Other Postemployment Benefits (OPEB) (Continued)

Contributions. The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$34,600 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2021, the District reported a liability of \$1,051,720 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.13514639 percent. This was a decrease of 0.01113585 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$12,283. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,341	\$ 183,027
Net difference between projected and actual earnings on OPEB plan investments	34	-0-
Changes of assumptions	163,288	44,444
Changes in proportion and differences between District contributions and proportionate share of contributions	41,053	106,556
District contributions subsequent to the measurement date	34,600	-0-
Total	\$ <u>240,316</u>	\$ <u>334,027</u>

The \$34,600 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ (25,815)
2023	(25,815)
2024	(24,767)
2025	(23,637)
2026	(28,277)
Total	\$ <u>(128,311)</u>

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 8: Other Postemployment Benefits (OPEB) (Continued)

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an
Pre-Medicare	ultimate rate of 4.50% by 2030

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Note 8: Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
District's proportionate share of the net OPEB liability	\$ 1,162,222	\$ 1,051,720	\$ 956,939

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates - Current	1% Increase
District's proportionate share of the net OPEB liability	\$ 971,103	\$ 1,051,720	\$ 1,143,056

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 9: Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
<i>Governmental Activities:</i>	
To correct prior year recorded accruals	\$ (16,761)
To reclassify activities previously reported as fiduciary funds pre-GASB 84	49,850
	<u>\$ 33,089</u>

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

Explanation	Amount
<i>General Fund:</i>	
To correct prior year recorded accruals	\$ (16,811)
To reclassify activities previously reported as fiduciary funds pre-GASB 84	49,850
Total General Fund	<u>\$ 33,039</u>
<i>Food Service Fund:</i>	
To correct prior year recorded accruals	\$ 50
Total Food Service Fund	<u>\$ 50</u>
	<u>\$ 33,089</u>

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 10: Contingencies

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

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

Note 11: Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. 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 Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. 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 Trust.

Note 12: 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.

BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Note 12: Qualified School Construction Bonds (Continued)

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. For the year ended June 30, 2021, the subsidy payments amounted to \$54,297.

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, 2021 was \$442,065. 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.

Year Ending June 30	Amount
2022	\$ 50,000
2023	123,000
2024	123,000
2025	123,000
2026	123,000
2027	123,000
Total	\$ 665,000

Note 13: Operating Leases

The school district has operating leases for photocopiers. The following is a schedule by years of the future minimum rental payments required under those operating leases.

Year Ending June 30	Amount
2022	\$ 15,456
Total	\$ 15,456

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ended June 30, 2021, was \$26,496.

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 14: Deficit Fund Balance of Individual Funds

The Food Service Fund has a deficit fund balance in the amount of \$5,295.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

Note 15: Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$15,091,407) includes the effect of deferring the recognition of expenses resulting from deferred outflows and deferred inflows from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,093,565 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$1,042,824 balance of the deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as expense and will decrease the unrestricted net position over the next 4 years. The \$570,299 balance of the deferred inflow of resources related to pensions, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$15,091,407) includes the effect of deferring the recognition of expenses resulting from deferred outflows and deferred inflows from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$34,600 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$205,716 balance of the deferred outflow of resources related to OPEB, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years. The \$334,027 balance of the deferred inflow of resources related to OPEB, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 16: 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 October 11, 2022, (the date the financial statements were available to be issued) and determined no subsequent events have occurred requiring disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**BENTON COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2021**

	Variances				
	Budgeted Amounts		Actual (GAAP Basis)	Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,140,431	1,964,120	1,964,120	(176,311)	-0-
Intermediate sources	-0-	10,900	10,900	10,900	-0-
State sources	6,335,413	6,069,942	6,069,942	(265,471)	-0-
Federal sources	1,353,841	1,305,069	1,305,069	(48,772)	-0-
Total Revenues	9,829,685	9,350,031	9,350,031	(479,654)	-0-
Expenditures:					
Instruction	5,720,820	5,291,835	5,382,333	428,985	(90,498)
Support services	3,942,840	3,504,526	3,526,959	438,314	(22,433)
Total Expenditures	9,663,660	8,796,361	8,909,292	867,299	(112,931)
Excess (Deficiency) of Revenues Over Expenditures	166,025	553,670	440,739	387,645	(112,931)
Other Financing Sources (Uses):					
Sale of transportation equipment	-0-	3,434	3,434	3,434	-0-
Operating transfers in	1,607,469	1,553,987	4,114	(53,482)	(1,549,873)
Operating transfers out	(1,811,607)	(1,968,681)	(372,576)	(157,074)	1,596,105
Total Other Financing Sources (Uses)	(204,138)	(411,260)	(365,028)	(207,122)	46,232
Net Change in Fund Balance	(38,113)	142,410	75,711	180,523	(66,699)
Fund Balance					
July 1, 2020, as previously reported	3,561,460	2,796,992	2,731,510	(764,468)	(65,482)
Prior period adjustments	-0-	33,189	33,039	33,189	(150)
July 1, 2020, as restated	3,561,460	2,830,181	2,764,549	(731,279)	(65,632)
June 30, 2021	\$ 3,523,347	2,972,591	2,840,260	(550,756)	(132,331)

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

**BENTON COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND
FOR YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 34,500	12,501	12,501	(21,999)	-0-
State sources	6,000	-0-	-0-	(6,000)	-0-
Federal sources	593,500	615,566	615,566	22,066	-0-
Total Revenues	634,000	628,067	628,067	(5,933)	-0-
Expenditures:					
Support services	80,154	79,144	76,996	1,010	2,148
Noninstructional services	657,315	588,434	588,407	68,881	27
Total Expenditures	737,469	667,578	665,403	69,891	2,175
Excess (Deficiency) of Revenues Over Expenditures	(103,469)	(39,511)	(37,336)	63,958	2,175
Other Financing Sources (Uses):					
Operating transfers in	-0-	56,345	4,746	56,345	(51,599)
Total Other Financing Sources (Uses)	-0-	56,345	4,746	56,345	(51,599)
Net Change in Fund Balance	(103,469)	16,834	(32,590)	120,303	(49,424)
Fund Balance					
July 1, 2020, as originally reported	15,798	27,259	45,773	11,461	18,514
Prior period adjustment	-0-	(44,093)	50	(44,093)	44,143
July 1, 2020, as restated	15,798	(16,834)	45,823	(32,632)	62,657
Decrease in reserve for inventory	-0-	-0-	(18,528)	-0-	(18,528)
June 30, 2021	\$ (87,671)	-0-	(5,295)	87,671	(5,295)

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

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	%	0.093176%	0.095247%	0.094618%	0.102386%	0.100234%	0.099941%	0.097018%
District's proportionate share of the net pension liability	\$	18,037,791	16,755,827	15,737,785	17,020,031	17,904,297	15,448,909	11,774,024
District's covered payroll	\$	6,184,107	6,203,191	6,042,267	6,568,114	6,412,216	6,243,727	5,928,279
District's proportionate share of the net pension liability as a percentage of its covered payroll		291.68%	270.12%	260.46%	259.13%	279.22%	247.43%	198.61%
Plan fiduciary net position as a percentage of the total pension liability		58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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 06/30 of the prior year 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.

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,093,565	1,076,036	977,002	951,657	1,034,478	1,009,924	983,387
Contributions in relation to the contractually required contribution	(1,093,565)	(1,076,036)	(977,002)	(951,657)	(1,034,478)	(1,009,924)	(983,387)
Contribution deficiency (excess)	\$ <u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
District's covered payroll	6,284,842	6,184,107	6,203,191	6,042,267	6,568,114	6,412,216	6,243,727
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	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 06/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS***

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	%	0.13514639%	0.14628224%	0.15131084%	0.14562803%
District's proportionate share of the net OPEB liability	\$	1,051,720	1,241,265	1,170,465	1,142,611
District's covered-employee payroll	\$	6,513,186	6,698,887	6,889,080	6,542,667
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		16.15%	18.53%	16.99%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.13%	0.12%	0.13%	0.00%

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 06/30 of the prior year to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
OPEB
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 34,600	41,942	49,754	48,711
Contributions in relation to the actuarially determined contributions	(34,600)	(41,942)	(49,754)	(48,711)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 District's covered-employee payroll	 6,513,186	 6,698,887	 6,889,080	 5,844,559
Contributions as a percentage of covered-employee payroll	0.53%	0.63%	0.72%	0.83%

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 75 was implemented in FYE 06/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2021**

Budgetary Comparison Schedules

Note 1: Basis of Presentation

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

Note 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.

Pension Schedules

Note 1: Changes of Assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Pension Schedules (Continued)

Note 1: Changes of Assumptions (Continued)

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

Note 2: Changes in Benefit Provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Note 3: Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

OPEB Schedules

Note 1: Changes of Assumptions

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020:

The discount rate was changed from 3.50 % for the prior Measurement Date to 2.19% for the current Measurement Date.

Note 2: Changes in Benefit Provisions

2017: None

2018: None

2019: None

2020:

The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

Note 3: Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

OPEB Schedules (Continued)

Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of	
OPEB plan investment expense, including	3.50%
price inflation	

SUPPLEMENTARY INFORMATION

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed-through Mississippi Department of Education:</i>			
Child Nutrition Cluster:			
National school lunch program	10.555	205MS326N1099	\$ 613,694
Total child nutrition cluster			613,694
Total U.S. Department of Agriculture			613,694
<u>U.S. Department of the Treasury</u>			
<i>Passed-through Mississippi Department of Education:</i>			
COVID-19 - Coronavirus relief funds	21.019	None Assigned	615,473
Total passed-through Mississippi Department of Education			615,473
Total U.S. Department of the Treasury			615,473
<u>U.S. Department of Education</u>			
<i>Passed-through Mississippi Department of Education:</i>			
Title I - grants to local educational agencies	84.010	S010A200024	481,797
Career and technical education - basic grants to states	84.048	VO48A200024	19,903
Rural education	84.358	S35B200024	11,887
Improving teacher quality state grants	84.367	S367A200023	166,885
Student support and academic enrichment program	84.424	S424A200025	17,902
Elementary and secondary school emergency relief - Fund I	84.425D	None Assigned	391,402
Elementary and secondary school emergency relief - CTE	84.425D	S424D200031	7,780
COVID-19 Education stabilization fund (ESSER) subtotal			399,182
Subtotal			1,097,556
Special Education Cluster:			
Special education - grants to states	84.027	H027A200108	188,251
Total special education cluster			188,251
Total passed-through Mississippi Department of Education			1,285,807
Total U.S. Department of Education			1,285,807
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-through Mississippi Department of Education:</i>			
Medicaid cluster:			
Medical Assistance program	93.778	2005MS5ADM	224
Total medicaid cluster			224
Total passed-through Mississippi Department of Education			224
Total U.S. Department of Health and Human Services			224
Total for All Federal Awards			\$ 2,515,198

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

**BENTON COUNTY SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2021**

Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal award activity of the Benton County School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Benton County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Benton County School District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The Benton County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Other Items

Donated commodities of \$35,249 are included in the National School Lunch Program.

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND
OTHER EXPENDITURES – GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2021**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 6,000,119	4,202,284	465,571	421,390	910,874
Other	6,268,959	4,359,335	255,498	120,684	1,533,442
Total	\$ 12,269,078	8,561,619	721,069	542,074	2,444,316
Total number of students *	788				
Cost per student	\$ 15,570	10,865	915	688	3,102

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 - (all the 1000, 2100, & 2200 functional codes.)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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

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

OTHER INFORMATION

**BENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GENERAL FUND
LAST FOUR YEARS**

	2021	2020*	2019*	UNAUDITED 2018*
Revenues:				
Local sources	\$ 1,964,120	1,806,460	1,836,429	1,660,729
Intermediate sources	10,900	-0-	-0-	-0-
State sources	6,069,942	6,512,654	6,649,615	6,722,628
Federal sources	1,305,069	1,368,054	1,456,151	1,323,024
Total Revenues	<u>9,350,031</u>	<u>9,687,168</u>	<u>9,942,195</u>	<u>9,706,381</u>
Expenditures:				
Instruction	5,382,333	5,315,753	5,108,830	5,536,029
Support services	3,526,959	3,595,631	3,868,275	3,734,021
Facilities acquisition and construction	-0-	-0-	11,000	-0-
Total Expenditures	<u>8,909,292</u>	<u>8,911,384</u>	<u>8,988,105</u>	<u>9,270,050</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>440,739</u>	<u>775,784</u>	<u>954,090</u>	<u>436,331</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	-0-	4,200	-0-	-0-
Sale of transportation equipment	3,434	6,660	-0-	-0-
Operating transfers in	4,114	8,356	-0-	247
Operating transfers out	(372,576)	(537,383)	(382,647)	(412,842)
Total Other Financing Sources (Uses)	<u>(365,028)</u>	<u>(518,167)</u>	<u>(382,647)</u>	<u>(412,595)</u>
Net Change in Fund Balances	<u>75,711</u>	<u>257,617</u>	<u>571,443</u>	<u>23,736</u>
Fund Balance:				
Beginning of period, as previously reported	2,731,510	2,501,728	1,854,535	1,830,933
Prior period adjustments	<u>33,039</u>	<u>(27,835)</u>	<u>75,750</u>	<u>(134)</u>
Beginning of period, as restated	<u>2,764,549</u>	<u>2,473,893</u>	<u>1,930,285</u>	<u>1,830,799</u>
End of period	<u>\$ 2,840,260</u>	<u>2,731,510</u>	<u>2,501,728</u>	<u>1,854,535</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

**BENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS**

	2021	2020*	2019*	UNAUDITED 2018*
Revenues:				
Local sources	\$ 2,069,648	1,933,142	2,006,764	1,811,088
Intermediate sources	10,900	-0-	-0-	-0-
State sources	6,384,276	6,809,406	7,006,501	6,999,238
Federal sources	3,876,211	2,693,330	3,057,505	3,001,991
Total Revenues	12,341,035	11,435,878	12,070,770	11,812,317
Expenditures:				
Instruction	6,734,865	6,357,587	6,332,963	6,794,764
Support services	4,784,051	4,102,300	4,347,652	4,208,698
Noninstructional services	595,216	652,907	650,594	642,763
Facilities acquisition and construction	-0-	-0-	11,000	-0-
Debt service:				
Principal	69,000	66,000	62,000	59,000
Interest	70,789	74,235	77,471	80,551
Other	15,157	1,250	1,250	2,500
Total Expenditures	12,269,078	11,254,279	11,482,930	11,788,276
Excess (Deficiency) of Revenues over (under) Expenditures	71,957	181,599	587,840	24,041
Other Financing Sources (Uses):				
Proceeds of notes	750,000	-0-	-0-	-0-
Payments held by QSCB escrow agent	50,000	50,000	50,000	48,000
Payments to QSCB escrow agent	(50,000)	(50,000)	(50,000)	(48,000)
Insurance loss recoveries	-0-	4,200	-0-	-0-
Sale of transportation equipment	3,434	6,660	-0-	-0-
Operating transfers in	440,831	636,626	463,924	503,140
Operating transfers out	(440,831)	(636,626)	(463,924)	(503,140)
Other financing uses	-0-	-0-	-0-	(1,977)
Total Other Financing Sources (Uses)	753,434	10,860	-0-	(1,977)
Net Change in Fund Balances	825,391	192,459	587,840	22,064
Fund Balance:				
Beginning of period, as previously reported	3,245,166	3,093,700	2,431,698	2,404,453
Prior period adjustments	33,089	(55,348)	75,750	1,116
Beginning of period, as restated	3,278,255	3,038,352	2,507,448	2,405,569
Increase (Decrease) in reserve for inventory	(18,528)	14,355	(1,588)	4,065
End of period	\$ 4,085,118	3,245,166	3,093,700	2,431,698

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 and 2021-002 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Benton County School District's Response to Finding

The Benton County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Benton County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 results 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.

Tupelo, MS
October 11, 2022

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tupelo, MS
October 11, 2022

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

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**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, 2021, which collectively comprise Benton County School District's basic financial statements and have issued our report thereon dated October 11, 2022. 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 an instance of noncompliance. The noncompliance is reported in finding number 5 below.

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 an instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in Finding 2021-002 in the Schedule of Findings and Questioned Costs.

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 instance of noncompliance described in Finding 2021-002 in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

Finding 1: The District should ensure compliance with state law over securing new surety bonds.

Applicable State Laws: Sections 25-1-15(1), 25-1-15(2), 37-6-15 and 37-9-31 Miss. Code Ann. (1972).

Finding Detail: During our review of the District's surety bonds we noted one principal had a bond for only \$25,000, no bonds could be provided for two principals, no bonds could be provided for two board members and the assistant superintendent as purchasing agent for the second half of the fiscal year. Additionally, no bonds could be provided for the superintendent or him as purchasing agent for the first half of the year and his purchasing agent bond was only for \$50,000.

The District appears to be using continuation bonds. Failure to comply with state statute, by being correctly and sufficiently bonded, could result in loss of public funds.

Recommendation: We recommend the District continue to ensure new bonds are secured for the District every four years concurrent with the normal election cycle of the governor or of the local government of the employee as statutorily required.

Repeat Finding: Yes – 2020-2

Finding 2: The District should ensure compliance with state purchasing laws.

Applicable State Laws: Sections 31-7-13(b) and 31-7-13(m)(viii) Miss. Code Ann. (1972).

Finding Detail: During our review of ten purchases subject to state purchasing law, one had no quotes, one purchase was paid from a quote with no supporting invoice, and we received no response to our request for a listing of emergency and sole source purchases.

Purchases made without receiving competitive bids or quotes could result in overpayment for goods or services, fraud, misappropriation, or loss of public funds. We also noted some purchases were paid from the quotes with no invoice for the amount of the quote substantiating the purchase.

Recommendation: We recommend the District ensure at least two competitive bids or quotes are obtained for every purchase over \$5,000 and that all emergency and sole source purchases are spread on the board minutes.

Repeat Finding: Yes – 2020-3

Finding 3: The District should ensure compliance with state law regarding timely vendor payments.

Applicable Law: Section 37-7-305(2) Miss. Code Ann. (1972).

Finding Detail: During our review of expenditures, we noted one claim that was paid more than forty-five days after the invoice date.

Failure to timely pay vendors results in noncompliance with the code section referenced above and could result in additional costs due to penalties and interest.

Recommendation: We recommend the District ensure all claims are paid within forty-five days of the invoice date.

Repeat Finding: Yes – 2020-4

Finding 4: The District should ensure compliance with state law regarding school depositories.

Applicable Law: Section 37-7-333, 27, 17-105-5, and 27-105-305 Miss. Code Ann. (1972).

Finding Detail: During our review of school depositories, we were only provided with a copy the District's documents of the notice for bids and bid instructions. We were not provided a copy of proof of publication. The minutes did note receipt of one bid, however, we were not provided a copy on the bid received.

Failure to properly advertise and received competitive bids in compliance with the code sections referenced above could result in the District not using the financial institution that provides the best services at the lowest cost.

Recommendation: We recommend the District ensure bids for school depositories be properly advertised, documented and that the best institution is selected for use.

Repeat Finding: No

Finding 5: The District should ensure compliance with state law regarding Education Enhancement Funds and Procurement Cards.

Applicable State Laws: Sections 31-7-1, 31-7-12, 31-7-13(o), 31-7-305, 37-61-33(2) and 37-61-33(3)(a)(iii) Miss. Code Ann. (1972).

Finding Detail: During our review of the District's Education Enhancement Funds, we noted that the \$8,737 transfer from the Education Enhancement Fund to the QSCB Fund was not spread in the board minutes. Additionally, we were unable to obtain documentation relating to the issuance of the District's procurement cards to its teachers and the purchases made with the procurement cards issued.

Failure to spread the transfer of Education Enhancement Funds on the minutes could allow for unauthorized transfer of funds. Failure to document the issuance of procurement cards could allow unauthorized personnel to use the cards and failure to maintain records of purchases made with procurement cards could result in unauthorized purchases.

Recommendation: We recommend that all transfers of funds be approved by the board and spread in the minutes. We also recommend that detailed records be maintained for the issuance and use of procurement cards.

Repeat Finding: No

Finding 6: The District should ensure compliance with state law regarding its budgeting process.

Applicable State Law: Section 37-61-19 Miss. Code Ann. (1972).

Finding Detail: During our review of the District's major programs we noted the District's food service fund had expenditures in excess of its available resources causing a deficit balance in the fund.

Failure to transfer available funds to funds with deficit balances is in violation of the state law cited above.

Recommendation: We recommend that available funds from the general fund be transferred to any fund having a deficit at year end.

Repeat Finding: No

Finding 7: The District should ensure compliance with state law regarding the Public Employees' Retirement System.

Applicable State Law: Section 25-11-127 Miss. Code Ann. (1972).

Finding Detail: During our review of the District's Public Employees' Retirement System we were unable to obtain documentation sufficient to review compliance with the state law for the four employees we identified for review.

Failure to provide PERS Form 4-B and payroll data for each reemployed employee may result in excess payments to retired employees.

Recommendation: We recommend that all documentation related to reemployed retirees be maintained and verified to ensure retirees are paid in accordance with state law.

Repeat Finding: No

Finding 8: The District should ensure compliance with state law regarding travel.

Applicable State Laws: Sections 25-3-41 and 25-1-79 Miss. Code Ann. (1972).

Finding Detail: During our review of the travel for officials and employees we noted three requests for which no purpose of the travel was stated on the reimbursement request, three requests were paid a different amount than stated on the request for reimbursement and incorrect documentation was provided for one employee's travel.

Failure to properly document the purpose of travel and pay the correct amounts can result in unauthorized use of the District's funds.

Recommendation: We recommend that all travel documentation be prepared and approved in accordance with state law. We also recommend that all travel reimbursements be reviewed for accuracy before payment and the proper amount of payment be made to the employee.

Repeat Finding: No

Finding 9: The District should ensure compliance with state law regarding related parties.

Applicable State Laws: Sections 37-7-333, 37-9-17, 37-9-2, 25-4-103 and 25-4-105 1 Miss. Code Ann. (1972).

Finding Detail: During our review of the District's related party activities we were unable to evaluate compliance with state law for superintendent (who was the superintendent through the end of the 2021/2022 year), one principal and two board members due to their failure to return their related party questionnaires to us.

Failure to properly respond to related party questionnaires may result in employees holding positions in violation with state laws.

Recommendation: We recommend that all related party questionnaires provided to the key employees identified according to state laws be returned for proper evaluation and further investigation if appropriate.

Repeat Finding: No

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

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

This report is intended solely for the information and use of 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.

Tupelo, MS
October 11, 2022

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2020**

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 weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Opinion Issued</u>
10.555	Child Nutrition Cluster	Unmodified
21.019	Coronavirus Relief Funds	Unmodified
84.425D	Elementary and Secondary School Emergency Relief	Unmodified
8.	Dollar threshold used to distinguish between type A and type B programs:	\$750,000
9.	Auditee qualified as low-risk auditee?	No
10.	Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)?	Yes

**BENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2020**

Section II: Financial Statement Findings

Material Weakness

2021-001 Controls over daily financial transactions should be strengthened.

Repeat Finding Yes

Criteria	An effective system of internal control over the daily financial transaction of the various business functions of the district is essential for the proper recording, reconciliation, review and reporting of the District's accounting information.
Condition	We noted the District did not have any documented procedures for handling of the District's daily financial transactions other than Financial Accounting Manual for Mississippi Public School Districts and the Public School Asset Management Manual.
Cause	Internal controls over processing of daily financial transactions for the District's various business functions were not documented.
Effect	Failure to document internal control procedures regarding the daily financial transactions performed by the District various business functions may cause fraud or misappropriation of the Districts assets and faulty financial statement preparation and reporting processes that could cause misstatements in the financial statements.
Recommendation	The District should ensure that internal control procedures are documented and followed for all daily financial transactions performed by the District various business functions.
Views of Responsible Official	Please refer to the District's Corrective Action Plan on page 74 of this report for details.

Material Weakness/Noncompliance

2021-002 Controls over financial statement preparation should be strengthened.

Repeat Finding Yes

Criteria	An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include the proper accrual of receivables and payables and the proper recording and classification of all transactions.
Condition	<p>We noted the following weaknesses in financial statement preparation and reporting:</p> <ul style="list-style-type: none">a. Total cash on the general ledger exceeded the amount recorded on the bank reconciliations by \$19,660 due to recording errors.b. Inventory on the general ledger was overstated by \$3,723 due to the failure to adjust year-end inventory to the balances on hand.c. The following items were noted regarding claims payable at year end: Two (2) claims totaling \$3,592 were on the docket at year end but were not included in claims payable in the general ledger; five (5) claims totaling \$7,469 were included in claims payable in the general ledger but were not listed on the docket; and seven (7) claims totaling \$30,592 were improperly excluded from claims payable.d. Supporting documentation for two purchases totaling \$1,614 could not be located by the District.

- e. None of the ninety-four (94) payments selected for review were marked paid.
- f. The QSCB investment was understated by \$47,523 due to failure to record current year activity.
- g. Interest payable in the amount of \$5,099 was not recorded in the general ledger.
- h. Additional proceeds in the amount of \$11,430 received from a new \$750,000 3 mill note were not recorded in the general ledger.
- i. Current year activity in the net amount of \$681,000 for the changes in old and new 3 mill notes was not recorded in the debt service fund.
- j. Capital asset accounts on the general ledger were understated by \$16,554 due to the failure to record asset additions for the year.
- k. The purchase of two mowers and a trailer totaling \$16,554 were not recorded in the capital asset records.

Cause Internal controls over the financial statement preparation and reporting process were not effective.

Effect Failures in internal controls over the financial statement preparation and reporting process could cause misstatements in the financial statements. Audit adjustments to correct these errors in the District's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

Recommendation The District should ensure that internal control procedures are in place to prepare financial statements and other reports in accordance with generally accepted accounting principles.

Views of Responsible Official Please refer to the District's Corrective Action Plan on page 74 of this report for details.

Section III: Federal Award Findings and Questioned Costs

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

**AUDITEE'S CORRECTIVE ACTION PLANS AND
PRIOR YEAR AUDIT FINDINGS FOLLOW-UP**

Benton County School District

Dr. Regina Biggers, Superintendent



Voice – 662.224.6252

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231 Court St – PO Box 247 – Ashland, MS 38603

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Benton County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021:

Name of Contact Person Responsible for Corrective Action

Name: Dr. Roxanne Hall
Title: Chief Financial Officer
Phone Number: 662-224-6252

Findings

Correction Action Plan Detail

2021-001

Controls over daily financial transactions should be strengthened.

- **Corrective Action:** The district will consult with other districts that have a procedural manual for daily transactions. We will develop a process manual for the business office and procedures and work with the superintendent to establish acceptable guidelines according to the state law.
- **Anticipated Completion Date:** June 30, 2023

2021-002

Controls over financial statement preparation should be strengthened.

Total cash on the general ledger exceeded the amount recorded on the bank reconciliations by \$19,660 due to recording errors

- **Corrective Action:** The district will ensure the general and bank statements are reconcile on a monthly basis as accurately as possible. The district will ensure that internal controls are in place and proper handling of financial transactions are followed according to state law and the accounting manual. Also, the district has consulted with accounting experts in Mississippi governmental accounting to assist the district in addressing these ongoing issues. The district has begun to correct these issues in FY22.
- **Anticipated Completion Date:** Immediately

Inventory on the general ledger was overstated by \$3,723 due to the failure to adjust year-end inventory to the balances on hand.

- **Corrective Action Planned:** The district will ensure that all closing processes are completed.
- **Anticipated Completion Date:** June 30, 2022

The following items were noted regarding claims payable at year end:

Two (2) claims totaling \$3,592 were on the docket at year end but were not included in claims payable in the general ledger; five (5) claims totaling \$7,469 were included in claims payable in the general ledger but were not listed on the docket; and seven (7) claims totaling \$30,592 were improperly excluded from claims payable.

Supporting documentation for two purchases totaling \$1,614 could not be located by the District.

None of the ninety-four (94) payments selected for review were marked paid.

- **Corrective Action:** The district will implement an Account Payable process manual that will provide sequential guidance in the processing of all claims, and ensure that all claims are processed and approved according to state law and local board policy.
- **Anticipated Completion Date:** Immediately

The QSCB investment was understated by \$47,523 due to failure to record current year activity.

Interest payable in the amount of \$5,099 was not recorded in the general ledger.

Additional proceeds in the amount of \$11,430 received from a new \$750,000 3 mill note were not recorded in the general ledger.

Current year activity in the net amount of \$681,000 for the changes in old and new 3 mill notes was not recorded in the debt service fund.

- **Corrective Action:** The district will ensure that financial transactions are properly recorded in the general ledger and debt service account, as applicable
- **Anticipated Completion Date:** Immediately

Capital asset accounts on the general ledger were understated by \$16,554 due to the failure to record asset additions for the year.

The purchase of two mowers and a trailer totaling \$16,554 were not recorded in the capital asset records.

- **Corrective Action:** The district will also ensure that fixed asset inventory is stated correctly and reported correctly on financial statements.
- **Anticipated Completion Date:** Immediately

Benton County School District

Dr. Regina Biggers, Superintendent



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AUDITEE'S CORRECTIVE ACTION PLAN

Name of Contact Person Responsible for Corrective Action

Name: Dr. Roxanne Hall
Title: Chief Financial Officer
Phone Number: 662-224-6252

Findings

Correction Action Plan Detail

Finding 1

The District should ensure compliance with state law over securing new surety bonds.

- **Corrective Action:** The district will ensure that all surety bonds are issued for applicable employees upon hire, and that surety bonds are renewed on a yearly basis and not use continuous bonds. Also, the district will ensure that applicable bond types are issued for all applicable employees.
- **Anticipated Completion Date:** June 30, 2023

Finding 2

The District should ensure compliance with state purchasing.

- **Corrective Action:** The district will ensure that all purchases over \$5000 will have 2 competing quotes and mandated by law, and that no payments are issued without the corresponding invoice. The district will ensure that all purchases considered emergency will be spread on the minutes of the board of trustees.
- **Anticipated Completion Date:** June 30, 2023

Finding 3

The District should ensure compliance with state law regarding timely vendor payments.

- **Corrective Action:** The district will have all mail delivered to the central office and then distribute it from there. If something contains a bill or statement, the AP person will keep the original and scan a copy to the appropriate person and follow up on whether the items made it to the school, the department, etc. The district will also set up an accounts payable email to print on the purchase orders so all bills that are electronic will come to this email for consistency in bill receipt. The AP clerk will keep a tickler file to check packing slips (from the locations) against the invoices to ensure that invoices can be paid timely.
- **Anticipated Completion Date:** June 30, 2023

- Finding 4 The District should ensure compliance with state law regarding school depositories.
- **Corrective Action:** The district will ensure that all depository bid documents are kept and filed and ready to be presented upon the requests of auditors and other stakeholders.
 - **Anticipated Completion Date:** June 30, 2023
- Finding 5 The District should ensure compliance with state law regarding Education Enhancement Funds.
- **Corrective Action:** The district will request approval from the board of trustees prior to transferring EEF funds to any debt service account for payment. The district will ensure that documentation of EEF cards are completed and kept each year, and available to be presented at the request of auditors and other stakeholders.
 - **Anticipated Completion Date:** June 30, 2023
- Finding 6 The District should ensure compliance with state law regarding its budgeting process.
- **Corrective Action:** The district will transfer available funds to funds with deficit balances.
 - **Anticipated Completion Date:** June 30, 2023
- Finding 7 The District should ensure compliance with state law regarding the Public Employees' Retirement.
- **Corrective Action:** The district will ensure that all retiree rehires receive Form B within 5 days of rehire.
 - **Anticipated Completion Date:** June 30, 2023
- Finding 8 The District should ensure compliance with state law regarding travel.
- **Corrective Action:** Beginning January 2022 the district developed and posted updated travel processes to ensure that all travel is approved by the next level supervisor and reviewed by the business manager and the AP clerk before payment is made. The district will continue to ensure that all documentation is present and complete before issuing payment for travel.
 - **Anticipated Completion Date:** June 30, 2023
- Finding 9 The District should ensure compliance with state law regarding related parties.
- **Corrective Action:** The district will employ a method whereby all related parties will complete the forms in a timely manner and ensure that this manner does not compromise the confidentiality of any responses given by related parties.
 - **Anticipated Completion Date:** June 30, 2023

Benton County School District

Dr. Regina Biggers, Superintendent



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SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 2200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Benton County School District has prepared a and hereby submits the following summary of prior year audit findings and follow up as of June 30, 2021.

Finding:

Status:

2020-001

Pending Correction in FY 2023

2020-002

Pending Correction in FY 2023