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BENTON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

BENTON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Benton County School District

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Benton County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Benton County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Benton County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Benton County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 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 presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal

Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023, 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 solely 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.

Brown CPA, PLLC
Madison, Mississippi
August 31, 2023

A handwritten signature in dark ink that reads "Brown CPA, PLLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022. 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 2022 increased \$2,792,299, including a prior period adjustment of (\$47,366), which represents a 27% increase from fiscal year 2021. Total net position for 2021 decreased \$263,496, including a prior period adjustment of \$33,089, which represents a 3% decrease from fiscal year 2020.
- General revenues amounted to \$9,426,693 and \$9,268,550, or 66% and 75% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,895,356, or 34% of total revenues for 2022, and \$3,075,920, or 25% of total revenues for 2021.
- The District had \$11,482,384 and \$12,641,055 in expenses for fiscal years 2022 and 2021; only \$4,895,356 for 2022 and \$3,075,920 for 2021 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,426,693 for 2022 were adequate to provide for these programs. General revenues of \$9,268,550 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$9,616,388 in revenues and \$9,069,335 in expenditures for 2022, and \$9,350,031 in revenues and \$8,909,292 in expenditures for 2021. The General Fund's fund balance increased by \$2,054,757 from 2021 to 2022, including a prior period adjustment of \$102,002, and increased by \$108,750, including a prior period adjustment of \$33,039 from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$360,035 for 2022 and decreased by \$213,357 for 2021. The increase for 2022 was due primarily to additions to mobile equipment and intangible assets from the implementation of GASB Statement No. 87 net of the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, increased by \$58,083 for 2022 and increased by \$681,000 for 2021. The increase for 2022 was due primarily to the additions of lease obligations payable from the implementation of GASB Statement No. 87. The liability for compensated absences decreased by \$18,835 for 2022 and decreased by \$16,668 for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 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 classified 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.

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,454,177 as of June 30, 2022.

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.

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 1 presents a summary of the District's net position at June 30, 2022 and June 30, 2021.

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 5,807,838	\$ 4,283,677	35.58 %
Restricted assets	459,187	442,065	3.87 %
Capital assets, net	5,567,834	5,207,799	6.91 %
Total assets	11,834,859	9,933,541	19.14 %
Deferred outflows of resources	2,785,514	2,376,705	17.20 %
Current liabilities	483,528	645,723	(25.12) %
Long-term debt outstanding	1,975,245	1,917,162	3.03 %
Net OPEB Liability	860,791	1,051,720	(18.15) %
Net pension liability	13,970,913	18,037,791	(22.55) %
Total liabilities	17,290,477	21,652,396	(20.15) %
Deferred inflows of resources	4,784,073	904,326	429.02 %
Net position:			
Net investment in capital assets	3,665,916	3,382,799	8.37 %
Restricted	1,066,138	1,462,132	(27.08) %
Unrestricted	(12,186,231)	(15,091,407)	19.25 %
Total net position	\$ (7,454,177)	\$ (10,246,476)	27.25 %

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:

Total unrestricted net position (deficit)	\$ (12,186,231)
Less 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	16,830,263
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 4,644,032

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

- Increase in net capital assets in the amount of \$360,035.
- Recognition of the net pension liability in the amount of \$13,970,913.
- Recognition of a net OPEB liability in the amount of \$860,791.

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$14,322,049 and \$12,344,470, respectively. The total cost of all programs and services was \$11,482,384 for 2022 and \$12,641,055 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Year Ended</u> <u>June 30, 2021</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 163,133	\$ 136,009	19.94 %
Operating grants and contributions	4,732,223	2,939,911	60.96 %
General revenues:			
Property taxes	1,941,952	1,769,492	9.75 %
Grants and contributions not restricted	7,411,009	7,331,477	1.08 %
Investment earnings	3,673	16,386	(77.58) %
Other	70,059	151,195	(53.66) %
Total revenues	<u>14,322,049</u>	<u>12,344,470</u>	16.02 %
Expenses:			
Instruction	5,927,952	6,260,832	(5.32) %
Support services	4,491,850	4,378,891	2.58 %
Non-instructional	654,621	561,462	16.59 %
Pension expense	390,603	1,344,457	(70.95) %
OPEB expense	(60,333)	12,283	(591.19) %
Interest on long-term liabilities	77,691	83,130	(6.54) %
Total expenses	<u>11,482,384</u>	<u>12,641,055</u>	(9.17) %
Increase (Decrease) in net position	<u>2,839,665</u>	<u>(296,585)</u>	1,057.45 %
Net Position, July 1, as previously reported	<u>(10,246,476)</u>	<u>(9,982,980)</u>	(2.64) %
Prior Period Adjustment	<u>(47,366)</u>	<u>33,089</u>	(243.15) %
Net Position, July 1, as restated	<u>(10,293,842)</u>	<u>(9,949,891)</u>	(3.46) %
Net Position, June 30	<u>\$ (7,454,177)</u>	<u>\$ (10,246,476)</u>	27.25 %

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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
	2022	2021	
Instruction	\$ 5,927,952	\$ 6,260,832	(5.32) %
Support services	4,491,850	4,378,891	2.58 %
Non-instructional	654,621	561,462	16.59 %
Pension Expense	390,603	1,344,457	(70.95) %
OPEB Expense	(60,333)	12,283	(591.19) %
Interest on long-term liabilities	77,691	83,130	(6.54) %
Total expenses	\$ 11,482,384	\$ 12,641,055	(9.17) %

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (4,878,228)	\$ (4,982,062)	2.08 %
Support services	(1,436,338)	(3,199,402)	55.11 %
Non-instructional	135,499	1,902	7,024.03 %
Pension Expense	(390,603)	(1,344,457)	70.95 %
OPEB Expense	60,333	(12,283)	591.19 %
Interest on long-term liabilities	(77,691)	(28,833)	(169.45) %
Total net (expense) revenue	\$ (6,587,028)	\$ (9,565,135)	31.14 %

- Net cost of governmental activities (\$6,587,028 for 2022 and \$9,565,135 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$1,941,952 for 2022 and \$1,769,492 for 2021) and state and federal revenues (\$7,411,009 for 2022 and \$7,331,477 for 2021).
- Investment earnings amounted to \$3,673 for 2022 and \$16,386 for 2021.

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 5,784,015, an increase of \$1,698,897, which includes a prior period adjustment of \$100,802 and an increase in inventory of \$777. \$4,717,359 or 82% 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,

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,066,656, or 18% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 \$2,054,757, which includes a prior period adjustment of \$102,002. The fund balance of Other Governmental Funds showed a decrease in the amount of (\$355,860), which includes an increase in inventory of \$777 and a prior period adjustment of (\$1,200). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER II Fund	No Increase or Decrease
ESSER III ARP Fund	No Increase or Decrease

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. Budget revisions during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$10,841,374, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and intangible assets. This amount represents an increase of \$843,919 from 2021 due primarily to the addition of mobile equipment and includes the effects of the implementation of GASB Statement No. 87. Total accumulated depreciation as of June 30, 2022, was \$5,273,540, and total depreciation expense for the year was \$294,185, resulting in total net capital assets of \$5,567,834.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 76,983	\$ 76,983	- %
Buildings	3,215,713	3,478,880	(7.56) %
Building improvements	1,254,776	1,485,077	(15.51) %
Improvements other than buildings	163,099	27,426	494.69 %
Mobile equipment	742,737	122,226	507.68 %
Furniture and equipment	30,103	17,207	74.95 %
Intangible right to use assets	84,423	-	N/A %
Total	<u>\$ 5,567,834</u>	<u>\$ 5,207,799</u>	6.91 %

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

Debt Administration. At June 30, 2022, the District had \$1,975,245 in outstanding long-term debt, of which \$26,811 is due within one year. During the fiscal year, the District made principal payments totaling \$10,416 on outstanding long-term debt. The liability for compensated absences decreased \$18,835 from the prior year.

BENTON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Qualified school construction bonds payable	1,075,000	1,075,000	- %
Three mill notes payable	742,000	750,000	(1.07) %
Lease obligations payable	84,918	-	N/A %
Compensated absences payable	73,327	92,162	(20.44) %
Total	<u>\$ 1,975,245</u>	<u>\$ 1,917,162</u>	3.03 %

Additional information on the District's long-term debt can be found in Note 7 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 financial 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, 231 Court Street Ashland, MS 38603.

FINANCIAL STATEMENTS

BENTON COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2022**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,668,579
Due from other governments	1,129,448
Inventories	9,811
Restricted assets	459,187
Capital assets, non-depreciable:	
Land	76,983
Capital assets, net of accumulated depreciation:	
Buildings	3,215,713
Building improvements	1,254,776
Improvements other than buildings	163,099
Mobile equipment	742,737
Furniture and equipment	30,103
Intangible assets	84,423
Total Assets	<u>11,834,859</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,593,193
Deferred outflows - OPEB	192,321
Total Deferred Outflows of Resources	<u>2,785,514</u>
Liabilities	
Accounts payable and accrued liabilities	472,793
Unearned revenue	10,217
Interest payable on long-term liabilities	518
Long-term liabilities, due within one year:	
Leases payable	15,145
Capital related liabilities	8,000
Non-capital related liabilities	3,666
Net OPEB liability	33,572
Long-term liabilities, due beyond one year:	
Leases payable	69,773
Capital related liabilities	1,809,000
Non-capital related liabilities	69,661
Net pension liability	13,970,913
Net OPEB liability	827,219
Total Liabilities	<u>17,290,477</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	4,391,632
Deferred inflows - OPEB	392,441
Total Deferred Inflows of Resources	<u>4,784,073</u>
Net Position	
Net investment in capital assets	3,665,916
Restricted for:	
Expendable:	
School-based activities	323,302
Debt service	573,765
Capital improvements	117,577
Unemployment benefits	51,494
Unrestricted	(12,186,231)
Total Net Position (deficit)	<u>\$ (7,454,177)</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, 2022

Exhibit B

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 5,927,952	\$ 144,180	\$ 905,544	\$ -	\$ (4,878,228)
Support services	4,491,850	-	3,055,512	-	(1,436,338)
Non-instructional	654,621	18,953	771,167	-	135,499
Pension expense	390,603	-	-	-	(390,603)
OPEB expense	(60,333)	-	-	-	60,333
Interest on long-term liabilities	77,691	-	-	-	(77,691)
Total Governmental Activities	\$ 11,482,384	\$ 163,133	\$ 4,732,223	\$ -	\$ (6,587,028)

General Revenues:

Taxes:

General purpose levies

1,811,701

Debt purpose levies

130,251

Unrestricted grants and contributions:

State

5,901,827

Federal

1,509,182

Unrestricted investment earnings

3,673

Other

70,059

Total General Revenues

9,426,693

Change in Net Position

2,839,665

Net Position - Beginning, as previously reported

(10,246,476)

Prior Period Adjustments

(47,366)

Net Position - Beginning, as restated

(10,293,842)

Net Position (deficit) - Ending

\$ (7,454,177)

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

BENTON COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2022

Exhibit C

	Major Funds			Other	Total
	General	ESSER II	ESSER III ARP	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 4,205,069	\$ -	\$ -	\$ 463,510	\$ 4,668,579
Cash with fiscal agents	-	-	-	7	7
Investments	-	-	-	459,180	459,180
Due from other governments	103,462	524,595	256,634	244,757	1,129,448
Due from other funds	1,066,368	-	-	81,746	1,148,114
Inventories	-	-	-	9,811	9,811
Total assets	<u>\$ 5,374,899</u>	<u>\$ 524,595</u>	<u>\$ 256,634</u>	<u>\$ 1,259,011</u>	<u>\$ 7,415,139</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 398,136	\$ -	\$ 484	\$ 74,173	\$ 472,793
Due to other funds	81,746	524,595	256,150	285,623	1,148,114
Unavailable revenue - federal programs	-	-	-	10,217	10,217
Total Liabilities	<u>479,882</u>	<u>524,595</u>	<u>256,634</u>	<u>370,013</u>	<u>1,631,124</u>
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	9,811	9,811
Restricted:					
Debt service	-	-	-	574,283	574,283
Capital projects	-	-	-	117,577	117,577
Child Nutrition	-	-	-	72,400	72,400
Unemployment benefits	-	-	-	51,494	51,494
Grant activities	-	-	-	63,433	63,433
Assigned:					
Activity funds	177,658	-	-	-	177,658
Unassigned	<u>4,717,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,717,359</u>
Total Fund Balances	<u>4,895,017</u>	<u>-</u>	<u>-</u>	<u>888,998</u>	<u>5,784,015</u>
Total Liabilities and Fund Balances	<u>\$ 5,374,899</u>	<u>\$ 524,595</u>	<u>\$ 256,634</u>	<u>\$ 1,259,011</u>	<u>\$ 7,415,139</u>

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

BENTON COUNTY SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Exhibit C-1

Total fund balances for governmental funds **\$ 5,784,015**

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	2,120,789	
Improvements other than buildings	244,893	
Mobile equipment	1,588,709	
Furniture and equipment	415,024	
Intangible assets	87,334	
Accumulated depreciation	<u>(5,273,540)</u>	5,567,834

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

Net pension liability (13,970,913)

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

Deferred outflows of resources related to pensions	2,593,193	
Deferred inflows of resources related to pensions	<u>(4,391,632)</u>	(15,769,352)

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

Net OPEB liability (860,791)

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	192,321	
Deferred inflows of resources related to OPEB	<u>(392,441)</u>	(1,060,911)

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:

Other bonds payable	(1,075,000)	
Notes payable	(742,000)	
Lease obligations payable	(84,918)	
Compensated absences	(73,327)	
Accrued interest payable	<u>(518)</u>	(1,975,763)

Net Position of governmental activities **\$ (7,454,177)**

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

BENTON COUNTY SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

Exhibit D

	Major Funds			Other	Total
	General	ESSER II	ESSER III ARP	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Local sources	\$ 2,042,205	\$ -	\$ -	\$ 136,612	\$ 2,178,817
State sources	6,065,001	-	-	269,335	6,334,336
Federal sources	1,509,182	1,699,837	479,159	2,120,718	5,808,896
Total Revenues	9,616,388	1,699,837	479,159	2,526,665	14,322,049
Expenditures:					
Instruction	5,518,575	-	75,723	820,776	6,415,074
Support services	3,547,260	56,876	327,542	1,599,497	5,531,175
Noninstructional services	-	-	-	715,750	715,750
Debt service:					
Principal	2,416	-	-	8,000	10,416
Interest	1,084	-	-	79,938	81,022
Other	-	-	-	1,250	1,250
Total Expenditures	9,069,335	56,876	403,265	3,225,211	12,754,687
Excess (Deficiency) of Revenues over (under) Expenditures	547,053	1,642,961	75,894	(698,546)	1,567,362
Other Financing Sources (Uses):					
Lease issued	87,334	-	-	-	87,334
Payments held by escrow agent	-	-	-	118,438	118,438
Payment to QSCB debt escrow agent	-	-	-	(118,438)	(118,438)
Operating transfers in	1,736,611	-	-	547,922	2,284,533
Operating transfers out	(417,477)	(1,642,961)	(75,894)	(148,201)	(2,284,533)
Other financing uses	(766)	-	-	(56,612)	(57,378)
Total Other Financing Sources (Uses)	1,405,702	(1,642,961)	(75,894)	343,109	29,956
Net Change in Fund Balances	1,952,755	-	-	(355,437)	1,597,318
Fund Balances:					
July 1, 2021, as previously reported	2,840,260	-	-	1,244,858	4,085,118
Prior period adjustments	102,002	-	-	(1,200)	100,802
July 1, 2021, as restated	2,942,262	-	-	1,243,658	4,185,920
Increase (Decrease) in inventory	-	-	-	777	777
June 30, 2022	\$ 4,895,017	\$ -	\$ -	\$ 888,998	\$ 5,784,015

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

BENTON COUNTY SCHOOL DISTRICT
Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 1,597,318**

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	\$ 802,388	
Depreciation expense	<u>(294,185)</u>	508,203

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:

Lease issued	(87,334)	
Payments of debt principal	10,416	
Accrued interest payable	<u>4,581</u>	(72,337)

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

Pension expense	(390,603)	
Contributions subsequent to the measurement date	<u>1,092,952</u>	702,349

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

OPEB expense	60,333	
Contributions subsequent to the measurement date	<u>24,187</u>	84,520

5. 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	18,835	
Change in inventory	<u>777</u>	19,612

Change in Net Position of governmental activities	\$	<u>2,839,665</u>
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The notes to the financial statements are an integral part of this statement.

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets, 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 of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

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. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

ESSER II Fund – This special revenue fund accounts for activities related to federal grant Assistance Listing number 84.425D, COVID-19 – Elementary & Secondary School Emergency Relief Fund II (ESSER).

ESSER III ARP Fund – This special revenue fund accounts for activities related to federal grant Assistance Listing number 84.425U, COVID-19 – Elementary & Secondary School Emergency Relief Fund III ARP (ESSER).

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.

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period 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.

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 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.

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

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.

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

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

(**) The estimated useful life for each right to use asset (intangible asset) is the number of years of the lease which is represented by each right to use asset

The term 'depreciation' includes the amortization of the intangible assets.

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. The school district has incurred deferred outflows which are presented as a deferred outflow related to pensions and a deferred outflow related to OPEB.

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 school district has incurred deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB.

See Note 13 for further details.

8. Compensated Absences

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

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

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. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as lessee, the school district uses its estimated current borrowing rate to calculate the present value of lease payments if the rate implicit in the lease is not known. See Notes 6 and 7 for details.

10. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 7 for details.

11. 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.

12. 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 come due. Investments are reported at fair value as determined by the state.

13. 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.

BENTON COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2022

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

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

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

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

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

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

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

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

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$4,668,579. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$4,668,579.

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. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2022, none of the district's bank balance of \$5,133,755 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$7.

Investments

As of June 30, 2022, the district had the following investments.

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Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	N/A	\$ 459,180
Total			<u>\$ 459,180</u>

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, 2022:

- QSCB Construction Bonds Common Trust Funds 2012-A of \$459,180 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 or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

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	ESSER II Fund	\$ 524,595
General Fund	ESSER III ARP Fund	256,150
General Fund	Other Governmental Funds	285,623
Other Governmental Funds	General Fund	<u>81,746</u>
Total		<u>\$ 1,148,114</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All balances are expected to be repaid within one year.

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 417,477
ESSER II Fund	General Fund	1,642,961
ESSER III ARP Fund	General Fund	75,894
Other Governmental Funds	General Fund	17,756
Other Governmental Funds	Other Governmental Funds	130,445
Total		<u>\$ 2,284,533</u>

Operating transfers were primarily for the following: indirect cost transfers, unemployment compensation transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent and investment balance, totaling \$7 and \$459,180, respectively, of the Benton County School District Qualified School Construction Bond Fund.

BENTON COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2022

Note 5 – Capital Assets

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

	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 76,983	\$ -	\$ -	\$ -	76,983
Total non-depreciable capital assets	76,983	-	-	-	76,983
Depreciable capital assets:					
Buildings	6,307,642	-	-	-	6,307,642
Building improvements	2,322,829	-	-	(202,040)	2,120,789
Improvements other than buildings	42,853	-	-	202,040	244,893
Mobile equipment	837,512	690,717	-	60,480	1,588,709
Furniture and equipment	409,636	24,337	-	(18,949)	415,024
Intangible right to use assets	-	87,334	-	-	87,334
Total depreciable capital assets	9,920,472	802,388	-	41,531	10,764,391
Less accumulated depreciation for:					
Buildings	2,828,762	114,772	-	148,395	3,091,929
Building improvements	837,752	84,832	-	(56,571)	866,013
Improvements other than buildings	15,427	9,796	-	56,571	81,794
Mobile equipment	715,286	77,549	-	53,137	845,972
Furniture and equipment	392,429	4,325	-	(11,833)	384,921
Intangible right to use assets	-	2,911	-	-	2,911
Total accumulated depreciation	4,789,656	294,185	-	189,699	5,273,540
Total depreciable capital assets, net	5,130,816	508,203	-	(148,168)	5,490,851
Governmental activities capital assets, net	\$ 5,207,799	\$ 508,203	\$ -	\$ (148,168)	\$ 5,567,834
Total capital assets, net excluding intangible right to use assets					5,483,411
Intangible right to use assets, net					84,423
Total capital assets, net as reported in the statement of net position					5,567,834

Adjustments to capital assets reflect prior year purchases not captured in the system and related depreciation not expensed. The term depreciation includes amortization of intangible assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 183,162
Support services	106,698
Non-instructional	4,325
Total depreciation expense - Governmental activities	\$ 294,185

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 6 – Leases

As Lessee:

The school district is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses its estimated borrowing rate at lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The school district, acting as lessee, has entered into one (1) lease for equipment. Details of the lease obligation can be found in Note 7.

Note 7 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due within one year
A. Qualified school construction bonds payable	1,075,000	-	-	1,075,000	-
B. Three mill notes payable	750,000	-	8,000	742,000	8,000
C. Lease obligations payable	-	87,334	2,416	84,918	15,145
D. Compensated absences payable	92,162	-	18,835	73,327	3,666
Total	\$ 1,917,162	\$ 87,334	\$ 29,251	\$ 1,975,245	\$ 26,811

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

A. Qualified school construction bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds payable	0.00%	12/17/2010	12/17/2026	1,075,000	1,075,000
Total				<u>\$ 1,075,000</u>	<u>\$ 1,075,000</u>

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 notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note, series 2021	1.70%	6/15/2021	6/15/2031	750,000	742,000
Total				<u>\$ 750,000</u>	<u>\$ 742,000</u>

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

Year Ending June 30	Principal	Interest	Total
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	133,000	12,036	145,036
2028 - 2031	575,000	24,803	599,803
Total	<u>\$ 742,000</u>	<u>\$ 86,462</u>	<u>\$ 828,462</u>

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

BENTON COUNTY SCHOOL DISTRICT
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For the Year Ended June 30, 2022

C. Lease obligations payable

The school district has entered into one (1) equipment lease as lessee. The amount issued balance is the net present value of the lease calculated at the issuance date.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Copier Lease	7.50%	5/1/2022	5/1/2027	\$ 87,334	\$ 84,918
Total				<u>\$ 87,334</u>	<u>\$ 84,918</u>

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

Year Ending June 30	Principal	Interest	Total
2023	15,145	5,855	21,000
2024	16,320	4,680	21,000
2025	17,587	3,413	21,000
2026	18,953	2,047	21,000
2027	16,913	587	17,500
Total	<u>\$ 84,918</u>	<u>\$ 16,582</u>	<u>\$ 101,500</u>

This debt will be retired from the District Maintenance Fund.

D. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 8 – 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

BENTON COUNTY SCHOOL DISTRICT
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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, 2022 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, 2022, 2021 and 2020 were \$1,092,952, \$1,093,565, and \$1,076,036 respectively, which equaled the required contributions for each year.

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

At June 30, 2022, the school district reported a liability of \$13,970,913 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022 net pension liability was 0.094523 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.001347 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$390,603. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 222,025	\$
Net difference between projected and actual earnings on pension plan investments		4,218,953
Changes of assumptions	1,074,423	
Changes in proportion and differences between District contributions and proportionate share of contributions	203,793	172,679
District contributions subsequent to the measurement date	1,092,952	
Total	\$ <u>2,593,193</u>	\$ <u>4,391,632</u>

\$1,092,952 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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For the Year Ended June 30, 2022

Year Ending June 30:	
2023	\$ (527,840)
2024	(504,959)
2025	(604,793)
2026	(1,253,799)
Total	<u>(2,891,391)</u>

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	<u>100</u>	<u>%</u>		

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at

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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.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 19,786,087	\$ 13,970,913	\$ 9,178,746

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 9 – 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

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surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

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 \$24,187 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$860,791 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.13372918 percent. This was a decrease of 0.00141721 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$60,333). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 936	\$ 269,158
Changes of assumptions	139,411	29,113
Net difference between projected and actual earnings on OPEB plan investments	40	
Changes in proportion and differences between District contributions and proportionate share of contributions	27,747	94,170
District contributions subsequent to the measurement date	24,187	
Total	\$ 192,321	\$ 392,441

\$24,187 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2023	\$ (50,593)
2024	(49,575)
2025	(48,547)
2026	(53,127)
2027	(22,465)

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. 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, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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-

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

percentage-point lower (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 952,772	\$ 860,791	\$ 782,363

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
Net OPEB liability	\$ 797,315	\$ 860,791	\$ 932,625

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 10 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct a prior period error in recording an asset or liability	\$ 29,276
2. To correct capital asset balances	(148,168)
3. To correct beginning fund balance	71,526
Total	<u>\$ (47,366)</u>

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

Fund	Explanation	Amount
General Fund	To correct beginning fund balance	\$ 102,002
Other Governmental Funds	To correct a prior period error in recording an asset or liability	(1,200)
Total		<u>\$ 100,802</u>

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 11 – 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 12 – 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 43 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 43 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 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$12,186,231) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,092,952 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$1,500,241 balance of the deferred outflow of resources related to pensions at June 30, 2022 will be recognized as

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$4,391,632 balance of the deferred inflow of resources related to pensions at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$12,186,231) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$24,187 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$168,134 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years. The unrestricted net position amount of (\$12,186,231) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$392,441 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 14 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2022, the subsidy payments amounted to \$54,133.

The school district makes equal annual payments into a sinking fund which is used to payoff 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, 2022 was \$459,187. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to 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
2023	\$	123,000
2024		123,000
2025		123,000
2026		123,000
2027		123,000
Total	\$	<u>615,000</u>

BENTON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 15 - 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 August 31, 2023, (the date the financial statements were available to be issued), and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Benton County School District
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,954,912	\$ 2,055,205	\$ 2,042,205	\$ 100,293	\$ (13,000)
State sources	6,060,203	6,065,001	6,065,001	4,798	-
Federal sources	1,353,841	1,509,182	1,509,182	155,341	-
Total Revenues	9,368,956	9,629,388	9,616,388	260,432	(13,000)
Expenditures:					
Instruction	5,463,327	5,389,589	5,518,575	73,738	(128,986)
Support services	3,635,988	3,398,926	3,547,260	237,062	(148,334)
Facilities acquisition and construction	-	193,486	-	(193,486)	193,486
Debt service:					
Principal	-	-	2,416	-	(2,416)
Interest	-	-	1,084	-	(1,084)
Total Expenditures	9,099,315	8,982,001	9,069,335	117,314	(87,334)
Excess (Deficiency) of Revenues over (under) Expenditures	269,641	647,387	547,053	377,746	(100,334)
Other Financing Sources (Uses):					
Leases Issued	-	-	87,334	-	87,334
Operating transfers in	2,443,027	2,921,730	1,736,611	478,703	(1,185,119)
Operating transfers out	(1,856,329)	(1,602,596)	(417,477)	253,733	1,185,119
Other financing uses		(766)	(766)	(766)	-
Total Other Financing Sources (Uses)	586,698	1,318,368	1,405,702	731,670	87,334
Net Change in Fund Balances	856,339	1,965,755	1,952,755	1,109,416	(13,000)
Fund Balances:					
July 1, 2021, as previously reported	2,482,263	2,961,410	2,840,260	479,147	(121,150)
Prior period adjustments	-	-	102,002	-	102,002
July 1, 2021, as restated	2,482,263	2,961,410	2,942,262	479,147	(19,148)
June 30, 2022	\$ 3,338,602	\$ 4,927,165	\$ 4,895,017	\$ 1,588,563	\$ (32,148)

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

Benton County School District
Required Supplementary Information

Budgetary Comparison Schedule
ESSER II Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,822,369	\$ 1,822,369	\$ 1,699,837	\$ -	\$ (122,532)
Total Revenues	1,822,369	1,822,369	1,699,837	-	(122,532)
Expenditures:					
Instruction	155,075	40,000	-	115,075	40,000
Support services	845,259	164,953	56,876	680,306	108,077
Noninstructional services	524,864	-	-	524,864	-
Total Expenditures	1,525,198	204,953	56,876	1,320,245	148,077
Excess (Deficiency) of Revenues over (under) Expenditures	297,171	1,617,416	1,642,961	1,320,245	25,545
Other Financing Sources (Uses):					
Operating transfers out	(297,171)	(594,342)	(1,642,961)	(297,171)	(1,048,619)
Total Other Financing Sources (Uses)	(297,171)	(594,342)	(1,642,961)	(297,171)	(1,048,619)
Net Change in Fund Balances	-	1,023,074	-	1,023,074	(1,023,074)
Fund Balances:					
July 1, 2021	-	-	-	-	-
June 30, 2022	\$ -	\$ 1,023,074	\$ -	\$ 1,023,074	\$ (1,023,074)

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

Benton County School District
Required Supplementary Information

Budgetary Comparison Schedule
ESSER III ARP Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 4,092,782	\$ 4,092,782	\$ 479,159	\$ -	\$ (3,613,623)
Total Revenues	4,092,782	4,092,782	479,159	-	(3,613,623)
Expenditures:					
Instruction	2,100,000	1,366,468	75,723	733,532	1,290,745
Support services	1,117,782	1,896,392	327,542	(778,610)	1,568,850
Noninstructional services	250,000	228,750	-	21,250	228,750
Total Expenditures	3,467,782	3,491,610	403,265	(23,828)	3,088,345
Excess (Deficiency) of Revenues over (under) Expenditures	625,000	601,172	75,894	(23,828)	(525,278)
Other Financing Sources (Uses):					
Operating transfers out	(625,000)	(539,667)	(75,894)	85,333	463,773
Total Other Financing Sources (Uses)	(625,000)	(539,667)	(75,894)	85,333	463,773
Net Change in Fund Balances	-	61,505	-	61,505	(61,505)
Fund Balances:					
July 1, 2021	-	-	-	-	-
June 30, 2022	\$ -	\$ 61,505	\$ -	\$ 61,505	\$ (61,505)

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

PERS

Last 10 Fiscal Years*

	<u>2022</u>	<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	0.094523%	0.093176%	0.095247%	0.094618%	0.102386%	0.100234%	0.099941%	0.097018%
District's proportionate share of the net pension liability	\$ 13,970,913	\$ 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	\$ 6,284,856	\$ 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	222.2949%	291.6798%	270.1162%	260.4616%	259.1312%	279.2217%	247.4309%	198.6078%
Plan fiduciary net position as a percentage of the total pension liability	70.437%	58.974%	61.588%	62.535%	61.490%	57.468%	61.704%	67.208%

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

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

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

Benton County School District

Schedule of District Contributions

PERS

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,092,952	\$ 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	1,092,952	1,093,565	1,076,036	977,002	951,657	1,034,478	1,009,924	983,387
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	6,281,333	6,284,856	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%	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 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 the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.13372918%	0.13514639%	0.14628224%	0.15131084%	0.14562803%
District's proportionate share of the net OPEB liability	\$ 860,791	\$ 1,051,720	\$ 1,241,265	\$ 1,170,465	\$ 1,142,611
District's covered - employee payroll	6,357,750	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	13.54%	16.15%	18.53%	16.99%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	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 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 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 10 Fiscal Years

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 24,187	\$ 34,600	\$ 41,942	\$ 49,754	\$ 48,711
Contributions in relation to the actuarially determined contribution	24,187	34,600	41,942	49,754	48,711
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	6,281,333	6,513,186	6,698,887	6,889,080	5,844,559
Contributions as a percentage of covered - employee payroll	0.39%	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 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. Prior year information is based on historical amounts reported in prior year audit reports.

Benton County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(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
For the Year Ended June 30, 2022

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%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

Benton County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

(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.

(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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(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.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

Benton County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

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.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

- (3) *Methods 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, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%

SUPPLEMENTARY INFORMATION

BENTON COUNTY SCHOOL DISTRICT
Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	225MS326N1099	782,389
Summer Food Service Program for Children	10.559	225MS326N1099	14,141
Total Child Nutrition Cluster			796,530
Total Passed-through Mississippi Department of Education			796,530
Passed-through Benton County, Mississippi:			
Schools and Roads - Grants to States	10.665	N/A	82,288
Total Passed-through Benton County, Mississippi			
Total U.S. Department of Agriculture			878,818
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A210024	628,816
Career and Technical Education - Basic Grants to States	84.048	V048A210024	19,012
Rural Education	84.358	S358B210024	31,943
School Improvement Grant 1003(g) (SIG)	84.377	S377A160025	859
Supporting Effective Instruction State Grants	84.367	S367A210023	79,465
Student Support and Academic Enrichment Program	84.424	S424A210025	64,519
Subtotal			824,614
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A210108	331,342
COVID-19 - IDEA, Part B ARP Grant	84.027X	H027X210108	4,793
Total Special Education - Grants to States			336,135
Special Education - Preschool Grants	84.173	H173A210113	6,830
Total Special Education Cluster			342,965
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	53,405
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	1,699,837
Elementary & Secondary School Emergency Relief Fund III ARP	84.425U	S425U210031	479,159
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			2,232,401
Total Passed-through Mississippi Department of Education			3,399,980
Total U.S. Department of Education			3,399,980
<u>U.S. Environmental Protection Agency</u>			
Passed-through the Mississippi Department of Environmental Quality:			
Diesel Emission Reduction Act (DERA) State Grants	66.040	N/A	35,469
Total passed-through Mississippi Department of Environmental Quality			35,469
Total U.S. Environmental Protection Agency			35,469
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security Disability Insurance	96.001	N/A	224
Total passed-through Mississippi Department of Rehabilitation Services			224
Total U.S. Department of Social Security Administration			224
Total for All Federal Awards			\$ 4,314,491

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

Benton County School District
Notes to the Supplementary Information
For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Benton County School District under programs of the federal government for the year ended June 30, 2022. 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.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(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.

(4) Other Items

Donated commodities are included in the National School Lunch Program.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

**Benton County School District
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2022**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 8,774,703	6,263,710	639,751	584,301	1,286,941
Other	3,979,984	1,181,910	268,153	14,587	2,515,334
Total	<u>\$ 12,754,687</u>	<u>7,445,620</u>	<u>907,904</u>	<u>598,888</u>	<u>3,802,275</u>
Total number of students *	<u>900</u>				
Cost per student	<u>\$ 14,172</u>	<u>8,273</u>	<u>1,009</u>	<u>665</u>	<u>4,225</u>

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

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

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

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

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

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

OTHER INFORMATION

BENTON COUNTY SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 2,042,205	\$ 1,964,120	\$ 1,806,460	\$ 1,836,429
Intermediate sources	-	10,900	-	-
State sources	6,065,001	6,069,942	6,512,654	6,649,615
Federal sources	1,509,182	1,305,069	1,368,054	1,456,151
Total Revenues	9,616,388	9,350,031	9,687,168	9,942,195
Expenditures:				
Instruction	5,518,575	5,382,333	5,315,753	5,108,830
Support services	3,547,260	3,526,959	3,595,631	3,868,275
Facilities acquisition and construction	-	-	-	11,000
Debt Service:				
Principal	2,416	-	-	-
Interest	1,084	-	-	-
Total Expenditures	9,069,335	8,909,292	8,911,384	8,988,105
Excess (Deficiency) of Revenues over (under) Expenditures	547,053	440,739	775,784	954,090
Other Financing Sources (Uses):				
Leases issued	87,334	-	-	-
Insurance recovery	-	-	4,200	-
Sale of transportation equipment	-	3,434	6,660	-
Operating transfers in	1,736,611	4,114	8,356	-
Operating transfers out	(417,477)	(372,576)	(537,383)	(382,647)
Other financing uses	(766)	-	-	-
Total Other Financing Sources (Uses)	1,405,702	(365,028)	(518,167)	(382,647)
Net Change in Fund Balances	1,952,755	75,711	257,617	571,443
Fund Balances:				
Beginning of period, as previously reported	2,840,260	2,731,510	2,501,728	1,854,535
Prior period adjustments	102,002	33,039	(27,835)	75,750
Beginning of period, as restated	2,942,262	2,764,549	2,473,893	1,930,285
End of Period	\$ 4,895,017	\$ 2,840,260	\$ 2,731,510	\$ 2,501,728

*SOURCE - PRIOR YEAR AUDIT REPORTS

BENTON COUNTY SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 2,178,817	\$ 2,069,648	\$ 1,933,142	\$ 2,006,764
Intermediate sources	-	10,900	-	-
State sources	6,334,336	6,384,276	6,809,406	7,006,501
Federal sources	5,808,896	3,876,211	2,693,330	3,057,505
Total Revenues	14,322,049	12,341,035	11,435,878	12,070,770
Expenditures:				
Instruction	6,415,074	6,734,865	6,357,587	6,332,963
Support services	5,531,175	4,784,051	4,102,300	4,347,652
Noninstructional services	715,750	595,216	652,907	650,594
Facilities acquisition and construction	-	-	-	11,000
Debt service:				
Principal	10,416	69,000	66,000	62,000
Interest	81,022	70,789	74,235	77,471
Other	1,250	15,157	1,250	1,250
Total Expenditures	12,754,687	12,269,078	11,254,279	11,482,930
Excess (Deficiency) of Revenues over (under) Expenditures	1,567,362	71,957	181,599	587,840
Other Financing Sources (Uses):				
Proceeds of notes	-	750,000	-	-
Leases issued	87,334	-	-	-
Insurance recovery	-	-	4,200	-
Payment held by escrow agent	118,438	50,000	50,000	50,000
Payment to QSCB debt escrow agent	(118,438)	(50,000)	(50,000)	(50,000)
Sale of transportation equipment	-	3,434	6,660	-
Operating transfers in	2,284,533	440,831	636,626	463,924
Operating transfers out	(2,284,533)	(440,831)	(636,626)	(463,924)
Other financing uses	(57,378)	-	-	-
Total Other Financing Sources (Uses)	29,956	753,434	10,860	0
Net Change in Fund Balances	1,597,318	825,391	192,459	587,840
Fund Balances:				
Beginning of period, as previously reported	4,085,118	3,245,166	3,093,700	2,431,698
Prior period adjustments	100,802	33,089	(55,348)	75,750
Beginning of period, as restated	4,185,920	3,278,255	3,038,352	2,507,448
Increase (Decrease) in reserve for inventory	777	(18,528)	14,355	(1,588)
End of Period	\$ 5,784,015	\$ 4,085,118	\$ 3,245,166	\$ 3,093,700

*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, 2022, and the related notes to the financial statements, which collectively comprise Benton County School District's basic financial statements, and have issued our report thereon dated August 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benton County School District's internal control over financial reporting (internal control) 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 Benton County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Benton County School District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2022-001**, and **2022-002** to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2022-003** and **2022-004** to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2022-001 and 2022-002**, that we consider to be material noncompliance and items **2022-003 and 2022-004**, that we consider to be immaterial noncompliance.

Benton County School District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Benton County School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Benton County School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Brown CPA, PLLC
Madison, Mississippi
August 31, 2023



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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Superintendent and School Board
Benton County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Benton County School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Benton County School District's major federal programs for the year ended June 30, 2022. The Benton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Benton County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Benton County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Benton County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Benton County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Benton County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Benton County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Benton County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Benton County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Benton County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding **2022-005**. Our opinion on each major federal award program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Benton County School District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Benton County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings **2022-005** to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Benton County School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Benton County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Brown CPA, PLLC
Madison, Mississippi
August 31, 2023

A handwritten signature in dark ink that reads "Brown CPA, PLLC". The signature is written in a cursive, flowing style.

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

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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, 2022, which collectively comprise Benton County School District's basic financial statements and have issued our report thereon dated August 31, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of immaterial noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

State Legal Finding 01:

Criteria:

Section 31-7-13(b), Mississippi Code Annotated (1972), requires the District to obtain at least two competitive written bids for purchases over \$5,000 but not over \$50,000 exclusive of freight and shipping charges. The District is required to accept the lowest and best competitive written bid. The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor.

Section 31-7-305(2), Mississippi Code Annotated (1972), states, "All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services."

Condition:

During our internal control test on accounts payable we noted the following exceptions out of a sample of sixty (60) tested:

1. Two (2) purchases did not have two quotes or declaration of an emergency purchase.
2. Two (2) purchases where quotes were provided but the items quoted were not comparable.
3. Three (3) purchases were paid forty-five (45) days after receiving the invoice according to the invoice dates. The district did not stamp or document on the invoice with a signature and date when received.

Cause:

The district did not have the proper internal controls in place with regard to purchasing laws to ensure quotes are being obtained for all required purchases and invoices are being paid within forty-five (45) days of receiving the invoice.

Effect:

This could result in the district overpaying for purchases or being charged additional fees for not paying invoices on time. This also results in the district not being in compliance with state purchase laws.

Recommendation:

The district should implement the controls to ensure all purchasing laws are being followed and properly monitored.

District Response:

The district will implement better controls to ensure quotes will be obtained, when required, and that all invoices will be paid within forty-five (45) days of receiving the invoice.

Repeat Finding:

Yes - 2021-2 & 2021-3

State Legal Finding 02:

Criteria:

Section 37-7-333, Mississippi Code Annotated (1972), requires all public funds to be placed in the depository or depositories selected by the School Board in the same manner as provided in Section 27-105-305, Mississippi Code Annotated (1972) for the selection of county depositories. Section 37-7-333, Mississippi Code Annotated (1972), also requires the bids of the financial institutions keeping school funds be effective on July 1st of each year. Further, School Boards are allowed to advertise and accept bids for depositories, not less than once every three (3) years, when the School Board determines that it can obtain a more favorable rate of interest and less administrative processing.

Condition:

During our review of depository bids, we were only provided with a copy of the district's documents of the notice for bids and bid instructions. The district was not able to provide a copy of the proof for publication or a copy of the bid received. The minutes did note the receipt of one bid.

Cause:

Due to inadequate internal controls surrounding its depository, the district is not in compliance.

Effect:

District is not in compliance with state law and did not properly document the bid of depositories.

Recommendation:

The School Board, Superintendent, and management should ensure compliance with *Section 37-7-333, Mississippi Code Annotated (1972)*, by properly documenting the proof of publication and bids received. Bids should be accepted for depositories by July 1st every three years.

Response:

The district will implement procedures to ensure that compliance is met on a timely basis and that all documentation, including proof of publication and bids, will be maintained to support compliance.

Repeat Finding:

Yes – 2021-4

State Legal Finding 03:

Criteria:

Section 37-61-33(2), Miss. Code Ann. (1972) states that Education Enhancement Funds appropriated to the school districts can be used for the following purpose: “as a pledge to pay all or a portion of the debt service on debt issued by the school district...” “...such pledge is accomplished pursuant to a written contract or resolution approved and spread upon the minutes of an official meeting of the district’s school board...”

Condition:

During our review of the district’s Education Enhancement Funds, we noted that the \$38,992 transfer from the Education Enhancement fund to the QSCB Fund was not spread in the board minutes.

Cause:

The district did not ensure the transfer was documented and approved in the minutes.

Effect:

Failure to spread the transfer of Education Enhancement Funds in the minutes could allow for unauthorized transfer of funds.

Recommendation:

We recommend that all transfers of funds be approved by the board and spread in the minutes.

Response:

The district will ensure all transfers are properly spread in the minutes going forward.

Repeat Finding:

Yes – 2021-5

State Legal Finding 04:

Criteria:

Section 37-61-19, Miss. Code Ann. (1972), states, “It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund. Furthermore, it shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year.”

Condition:

During our review of the amended budget we noted several special revenues funds that had expenditures in excess of its available resources causing negative fund balances.

Cause:

The district did not properly approve the amended budget to ensure resources were available to cover all expenditures.

Effect:

Failure to ensure resources are available to cover all expenditures could result in deficit fund balances.

Recommendation:

The district should ensure compliance with state law by ensuring all funds have available resources before budgets are approved.

Response:

The district will implement procedures to ensure compliance is met and will verify each fund has available resources to cover all expenditures before budgets are approved.

Repeat Finding:

Yes – 2021-6

State Legal Finding 05:

Criteria:

Section 25-11-127, Miss. Code Ann. (1972) addresses reemployment of PERS retirees by a school district under the PERS system and states the following: "No person who is being paid a retirement allowance or a pension after retirement under this article shall be employed or paid for any service by the State of Mississippi, including services as an employee, contract worker, contractual employee or independent contractor, until the retired person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement. After the person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement or such later date as established by the board, he or she may be reemployed while being paid a retirement allowance under the terms and conditions provided in this section.

For a period of time not to exceed one-half (1/2) of the normal working days for the position in any fiscal year during which the retiree will receive no more than one-half (1/2) of the salary in effect for the position at the time of employment, or

For a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of twenty-five percent (25%) of retiree's average compensation.

Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment."

Condition:

During our review of the 4B forms we were unable to obtain the documentation sufficient to review compliance with the state law.

Cause:

The district did not keep a copy of the PERS forms 4B or could not locate the documentation at the time of the audit.

Effect:

Failure to provide the PERS forms 4B and related payroll information could 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.

Response:

The district will implement procedures to ensure that all hired PERS retirees are reported to PERS and paid according to their position amount and percentage allocated on form 4B. Forms will be maintained for adequate support.

Repeat Finding:

Yes – 2021-7

State Legal Finding 06:

Criteria:

Mississippi Code Section 25-3-41 establishes guidelines for travel reimbursement. It also provides that the Mississippi Department of Finance and Administration (DFA) shall promulgate rules and regulations to effectuate economies for all expenses authorized under this section. Travel regulations are also contained in the Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Travel Section and DFA-State Travel Policy Rules and Regulations. For rental cars, documents must be maintained by the district to show cost comparisons and the most economical rental car was selected.

Condition:

During our testing of eighteen (18) travel expenditures we noted the following exceptions:

1. Nine (9) in the sample where the travel form was not signed by the employee and did not contain an approving signature.
2. Three (3) in the sample where the mileage was not reimbursed at the appropriate IRS approved rate.
3. It could not be determined on two (2) in the sample if the per diem for meals reimbursed were appropriate. The district did not provide supporting documentation to know if the meals were already included in the registration fee for the conference.

Cause:

The district did not have the proper controls in place to make sure all travel rules and regulations were being followed. The district did not maintain documentation to support the travel reimbursement.

Effect:

Failure to comply with the rules and regulations promulgated by the DFA and/or keep supporting travel reimbursement documentation could result in employees being improperly reimbursed for travel expenditures.

Recommendation:

We recommend the district implement better controls to ensure all rules and regulations are being followed regarding travel reimbursements and all the proper supporting documentation is being maintained.

Response:

The district will implement the necessary controls to comply with all travel reimbursement rules and regulations. All supporting documents will be properly maintained.

Repeat Finding:

Yes – 2021-8

State Legal Finding 07:

Criteria:

The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Condition:

During our testing of ten (10) activity fund deposits, we noted the following exceptions:

1. Only four (4) in the sample where the documentation could be provided by the district. For the ones provided, not all of the transmittal forms or ticket count sheets were completely filled out. Some were missing the ticket numbers and others did not contain the total number of tickets sold and sales price per ticket.
2. District could not provide support for six (6) in the sample.

Cause:

The district did not have the controls in place to ensure all activity forms were being completed and properly approved. Documentation is not being maintained to support activity deposits.

Effect:

Inadequate internal controls related to activity funds revenue collections and supporting documentation could result in a loss of assets and improper revenue recognition.

Recommendation:

The district should strengthen controls to enforce policies and procedures and ensure all activity receipts are being safeguarded, adequately recognized, and recorded.

Response:

The district will implement the procedures to ensure compliance is met with activity funds. The district will ensure all activity count sheets are properly completed and all documentation is maintained.

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.

Brown CPA, PLLC
Madison, Mississippi
August 31, 2023



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BENTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | | | |
|----|--|------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

7. Identification of major programs:

<u>ALNs</u>	<u>Name of Federal Program or Cluster</u>
10.555; 10.559	Child Nutrition Cluster
84.425D	COVID-19 – Elementary & Secondary School Emergency Relief I & II(ESSER)
84.425U	COVID-19 – Elementary & Secondary School Emergency Relief III ARP (ESSER)

- | | | |
|-----|--|-----------|
| 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 2CFR 200.511(b). | Yes |

BENTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II: Financial Statement Findings

Material Weaknesses/Material Non-Compliance

2022-001 Finding

Repeat Finding – 2021-001

Controls over daily financial transactions should be strengthened.

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 the Financial Accounting Manual for the 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 district's 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's various business functions.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 83.

2022-002 Finding

Receipt testing and internal controls, bank statements not properly reconciled.

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) publishes The Internal Control-Integrated Framework that establishes guidance on internal control and fraud deterrence. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft. Management is responsible for ensuring that all funds are properly receipted, timely deposited, and adequately reported. A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling monthly bank statements.

Condition:

During our testing of twenty (20) receipts, we noted the following items:

1. Seven (7) in the sample where the receipt was not signed by the preparer.
2. Nine (9) in the sample where the district could not provide a copy of the receipt.

BENTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

3. One (1) in the sample where the district did not provide adequate support for the amount booked to the general ledger. There was not enough documentation, or a breakdown of the total amount deposited, to trace the amount booked to the general ledger.
4. The payroll clearing bank statement was not properly reconciled throughout the year. The outstanding check listing at year end is not accurate and could not be traced to the following months.

Cause:

The district did not have the proper controls in place to ensure all funds are being properly receipted, the receipts are timely deposited, or bank reconciliations are accurately completed.

Effect:

This could cause revenues to be misstated and/or not being recorded accurately.

Recommendation:

The district should implement stronger internal controls to ensure that all revenues are properly recorded through receipting, recording the deposit, recording to the general ledger, and timely bank reconciliations. All duties should be segregated to different employees to help prevent fraud or misstatements.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 83.

**Significant Deficiencies not considered to be
Material Weaknesses/Immaterial Non-Compliance**

2022-003 Finding

Repeat Finding - 2021-002

Accounts payable testing and internal controls.

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) publishes The Internal Control-Integrated Framework that establishes guidance on internal control and fraud deterrence. An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. This includes maintenance of accurate accounting records and following the proper purchasing procedures.

Condition:

During our testing of twenty (20) invoices, we noted the following exceptions:

1. Invoices were not initialed and dated when received by the district.
2. Invoices are not being cancelled (marked paid) to indicate payment.
3. Two (2) instances where the purchase order was dated after the invoice date.
4. Four (4) in the sample where the invoice or purchase order did not have a signature to indicate goods or services were received.
5. Two (2) in the sample where the district did not add the fixed assets purchased to the asset inventory list.

BENTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Cause:

The district did not have the proper controls in place to ensure all purchasing laws are being followed for each transaction.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, there is an increased risk that the financial statements could be misstated.

Recommendation:

District should implement policies and procedures to establish an internal control system that will require accountability regarding accounts payable and purchasing. This will ensure the proper safeguarding of assets and accurate accounting records.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 83

2022-004 Finding

Repeat Finding - 2021-002

Investments and capital assets not reconciled and correctly reported on the financial statements.

Criteria:

According to the MS Public School Asset Management Manual and based on the requirement of GASB Statement 34 public school districts are required to establish and maintain a system of accountability, control, and reporting for their capital assets. School districts are required to develop policies and to establish and implement control procedures to implement those policies to ensure a high degree of certainty that the policies are adhered to as intended by the school board. Required policies include valuation of its capital assets, capitalization policy, and a policy on depreciating capital assets. In addition, all capital assets should be tagged and properly recorded in the financial statements.

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling investment statements to ensure the values are booked at fair value.

Condition:

We noted the following deficiencies in financial statement preparation and reporting:

1. Investment statements were not reconciled to identify the fair value amounts, and to make the proper adjustments to the financial statements.
2. The district did not reconcile capital assets to prior year audited balances. Depreciation is not correctly calculated. Adjustments were proposed and accepted by the district to correctly state acquisition and accumulated depreciation balances.

Cause:

The district did not have the proper controls in place to ensure investments and capital assets are being reconciled and properly reported on the financial statements.

Effect:

Failures in internal controls over financial statement preparation and reporting could cause misstatements in the financial statements.

BENTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Recommendation:

We recommend the district implement internal controls to ensure investments and capital assets are reconciled and correctly stated on the financial statements.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 83.

Section III: Federal Award Findings and Questioned Costs

**Significant Deficiencies not considered to be
Material Weaknesses/Immaterial Non-Compliance**

2022-005 Finding

Accounts payable testing and internal controls.

Programs:

Child Nutrition Cluster, ALN #10:555; 10:559

COVID-19 – Elementary & Secondary School Emergency Relief I & II(ESSER) ALN #84.425D

COVID-19 – Elementary & Secondary School Emergency Relief III ARP (ESSER) ALN #84.425U

Compliance Requirement: Allowable Costs/Cost Principles

Repeat Finding:

None

Criteria:

An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. This includes maintenance of accurate accounting records and following the proper purchasing procedures.

Condition:

During our testing of forty (40) invoices, we noted the following exceptions:

1. Invoices were not initialed and dated when received by the district.
2. Invoices are not being cancelled (marked paid) to indicate payment.
3. Three (3) instances of no indication, signature and/or dated by the employee, of receipt of goods or services.
4. One (1) in the sample where the district did not add the fixed assets purchased to the asset inventory list.
5. One (1) instance where the purchase order was dated after the invoice date.

Context:

Internal control procedures were tested for accounts payable in the major federal funds.

Cause:

The district did not properly ensure that the accounts payable internal control system was being followed for all transactions including all purchasing procedures required by the state.

BENTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, there is an increased risk that the financial statements could be misstated.

Questioned Cost:

None

Recommendation:

District should implement policies and procedures to establish an internal control system that will require accountability with regard to accounts payable and purchasing. This will ensure the proper safeguarding of assets and accurate accounting records.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 83.

AUDITEE'S CORRECTIVE ACTION PLAN/
AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**Benton County School District
P O Box 247
Ashland, MS 38603
Dr. Regina Biggers, Superintendent
Dr. Roxanne Hall, Director of Finance**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, 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, 2022:

Finding	Corrective Action Plan Details
2022-001	<p>Controls over daily financial transactions should be strengthened.</p> <p>A. Name of contact person responsible for corrective action: Name: Dr. Roxanne Hall Title: Director of Finance</p> <p>B. Corrective action planned:</p> <p>The district will consult with other districts that have a procedural manual for daily transaction. We will develop a process manual for the business office and procedures and work with the superintendent to establish acceptable guidelines according to state law. We have implemented Policies and procedures for FY23. The district contracted with a third party (advisor) to help clean up any problems with financials and strengthen internal controls.</p> <p>C. Anticipated completion date:</p> <p>Immediately</p>
2022-002	<p>Receipt testing and internal controls, bank statements not properly reconciled.</p> <p>A. Name of contact person responsible for corrective action: Name: Dr. Roxanne Hall Title: Director of Finance</p> <p>B. Corrective action planned:</p> <p>The district will strengthen controls to ensure all revenues are properly recorded through receipting, recording the deposit, recording to the general ledger, and timely bank reconciliations.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2024</p>

**Benton County School District
P O Box 247
Ashland, MS 38603
Dr. Regina Biggers, Superintendent
Dr. Roxanne Hall, Director of Finance**

2022-003

Accounts payable testing and internal controls

A. Name of contact person responsible for corrective action:

Name: Dr. Roxanne Hall

Title: Director of Finance

B. Corrective action planned:

The District will implement policies and procedures to establish an internal control system that will require accountability with regard to accounts payable and purchasing. That will also ensure proper safeguarding of assets and accurate accounting records.

C. Anticipated completion date:

June 30, 2024

2022-004

Investments and capital assets not reconciled and correctly reported on the financial statements.

A. Name of contact person responsible for corrective action:

Name: Dr. Roxanne Hall

Title: Director of Finance

B. Corrective action planned:

The district will implement internal controls to ensure investments and capital assets are properly reconciled and correctly stated on the financial statements.

C. Anticipated completion date:

June 30, 2024

2022-005

Accounts payable testing and internal controls

A. Name of contact person responsible for corrective action:

Name: Dr. Roxanne Hall

Title: Director of Finance

B. Corrective action planned:

The District will implement policies and procedures to establish an internal control system that will require accountability with regard to accounts

**Benton County School District
P O Box 247
Ashland, MS 38603
Dr. Regina Biggers, Superintendent
Dr. Roxanne Hall, Director of Finance**

payable and purchasing. That will also ensure proper safeguarding of assets and accurate accounting records.

C. Anticipated completion date:

June 30, 2024

**Benton County School District
P O Box 247
Ashland, MS 38603
Dr. Regina Biggers, Superintendent
Dr. Roxanne Hall, Director of Finance**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Uniformed Guidance, the Benton County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2022:

<u>Findings</u>	<u>Status</u>
2021-001	Not Corrected; See Finding 2022-001
2021-002	Not Corrected; See Findings 2022-003 & 2022-004