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**Benoit School District**  
**Audited Financial Statements**  
**June 30, 2008**

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

FINANCIAL AUDIT REPORT

**Benoit School District  
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**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Benoit School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2008, which collectively comprise the Benoit School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Benoit School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Benoit School District at June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008 on our consideration of the Benoit School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (7) through (14) and the Budgetary Comparison Schedule and corresponding notes on pages (43) through (49) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that

collectively comprise the Benoit School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 28, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BENOIT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Benoit School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

#### **FINANCIAL HIGHLIGHTS**

- Total net assets increased \$132,957, which represents a 15% increase from fiscal year 2007.
- General revenues account for \$2,357,674 in revenue, or 67% of all revenues. This amount was less when compared to the general revenues reported for the year 2007, which consisted of \$2,412,423 in revenue, or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions for this year accounted for \$1,148,193 or 33% of total revenues compared with \$1,177,625 in 2007.
- The District had \$3,372,910 in expenses, an amount that decreased when compared with the \$3,551,486 in expenses for the prior year; only \$1,148,193 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$2,357,674 were adequate to provide for these programs.
- Among major funds, the General Fund had \$2,209,569 in revenues and \$2,217,138 in expenditures. In 2007 the General Fund had \$2,048,131 in revenues and \$2,347,423 in expenditures. The General Fund's fund balance increased \$145,732 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$15,389 mainly due to a prior period adjustment to fairly state capital assets.
- Long-term debt decreased by \$74,262 due to principal payments made during the year.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1)

government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

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

The government-wide financial statements can be found on pages 16 and 17 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 24, respectively.

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 18 and 22 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 25.

**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 on pages 26-41 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 42-49 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 51 and 52 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$1,071,465 as of June 30,

2008.

The District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and 2007.

	2008	2007	Percentage Change
<b>Assets</b>			
Current assets	\$ 1,074,659	1,089,041	-1%
Capital assets, net	494,161	478,772	3%
<b>Total assets</b>	<b>1,568,820</b>	<b>1,567,813</b>	<b>0%</b>
<b>Liabilities</b>			
Current liabilities	43,144	146,200	-70%
Long-term liabilities	454,211	528,473	-14%
<b>Total liabilities</b>	<b>497,355</b>	<b>674,673</b>	<b>-26%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	48,366	(40,260)	220%
Restricted	687,517	744,869	-8%
Unrestricted	335,582	188,531	78%
<b>Total Net Assets</b>	<b>\$ 1,071,465</b>	<b>893,140</b>	<b>20%</b>

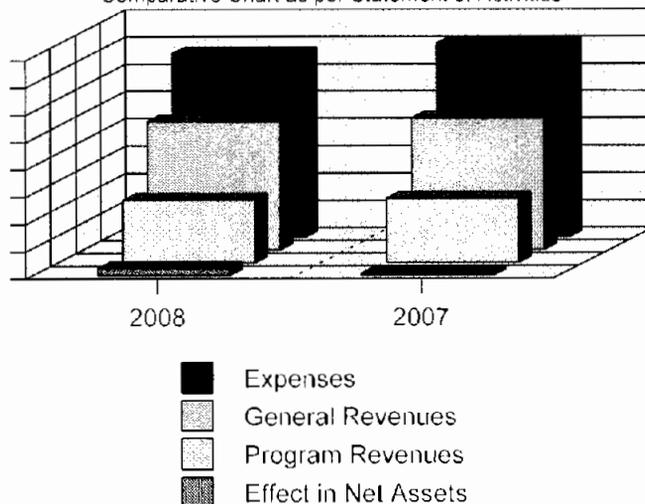
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The recording of a prior period adjustment to fairly state capital assets.
- The principal payments on long term debt in the amount of \$73,237.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$3,505,867. The total cost of all programs and services was \$3,372,910. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

	2008	2007	Percentage Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 63,653	61,954	3%
Operating Grants and Contributions	1,075,238	1,106,371	-3%
Capital Grants and Contributions	9,302	9,300	0%
<b>Total Program Revenues</b>	<b>1,148,193</b>	<b>1,177,625</b>	<b>-2%</b>
<b>General Revenues</b>			
Property Taxes	807,999	758,456	7%
Unrestricted Grants and Contributions	1,353,801	1,284,305	5%
Unrestricted Investment Earnings	5,825	6,052	-4%
Sixteenth Section Sources	177,183	229,303	-23%
Other	12,866	134,307	-90%
<b>Total General Revenues</b>	<b>2,357,674</b>	<b>2,412,423</b>	<b>-2%</b>
<b>Total revenues</b>	<b>3,505,867</b>	<b>3,590,048</b>	<b>-2%</b>
<b>Expenses</b>			
Instruction	1,654,890	1,512,676	9%
Support services	1,369,203	1,748,461	-22%
Non-instructional	286,632	227,115	26%
Interest on long-term liabilities	55,777	55,030	1%
Sixteenth section	6,408	8,204	-22%
<b>Total expenses</b>	<b>3,372,910</b>	<b>3,551,486</b>	<b>-5%</b>
<b>Increase (Decrease) in net assets</b>	<b>132,957</b>	<b>38,562</b>	<b>245%</b>
Net Assets, July 1	893,140	854,578	5%
Prior Period Adjustment	45,368	-	100%
Net Assets, Restated	938,508	854,578	10%
Net Assets, June 30	\$ 1,071,465	893,140	20%

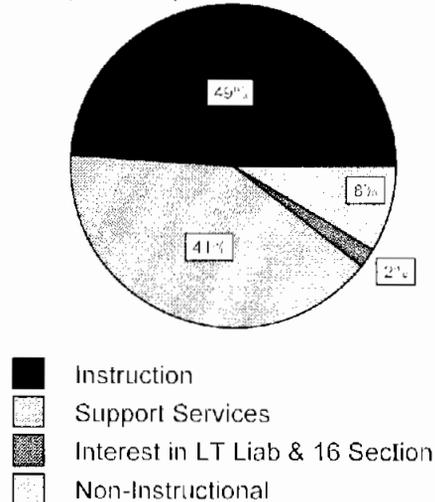
Comparative Chart as per Statement of Activities



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

			2008	2007
	2008	2007	Net (Expense)	Net (Expense)
	Expenses	Expenses	Revenue	Revenue
Instruction	\$ 1,654,890	1,512,676	(1,042,902)	(1,023,820)
Support Services	1,369,203	1,748,461	(1,088,497)	(1,285,624)
Non-Instructional	286,632	227,115	(31,133)	(1,183)
Sixteenth Section	55,777	55,030	(55,777)	(55,030)
Interest on Long-Term Liabilities	6,408	8,204	(6,408)	(8,204)
	\$ 3,372,910	3,551,486	(2,224,717)	(2,373,861)

Expenses as per Statement of Activities



- Net cost of governmental activities (\$2,224,717), was financed by general revenue, which is made up of primarily property taxes \$807,999, state revenue \$1,329,089, federal revenue \$24,712 and sixteenth section sources \$177,183.
- Investment earnings accounted for \$5,825 of funding.

**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, unreserved 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 \$1,035,220, an increase of \$91,752. \$886,840 or 86% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$148,380 or 14% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 \$145,732. The fund balance of Other Governmental Funds showed a decrease of \$31,214. The Sixteenth Section Interest Fund showed a decrease in Fund Balance of \$29,723. The fund balance in the other major funds remained the same, except for the Reading Sufficiency Fund that increased \$6,957.

## **BUDGETARY HIGHLIGHTS**

Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts. Over the course of the year, the District revised the annual operating budget when changes in tentative allocations, estimates, legislative mandates, staffing studies, and current and anticipated needs arose.

At the time the original budget was prepared, only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to reflect the actual grant awards and expenditures.

A schedule showing the original and final budget amounts compared to the District's actual financial activity of the following funds are provided in this report as required supplementary information in Exhibits 1-6 on pages 43-48:

General Fund  
Title I Fund  
Title I - Reading First Fund  
Title I - B-3 Even Start Fund  
Sixteenth Section Interest Fund  
Reading Sufficiency Fund

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District's total capital assets were \$1,320,021, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$99,250 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$825,860 and total depreciation expense for the year was \$35,648, resulting in total net capital assets of \$494,161.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	\$ 1,000	1,000	0%
Buildings	333,405	314,216	6%
Improvements other than buildings	53,744	46,971	14%
Mobile equipment	81,030	106,055	-24%
Furniture and equipment	24,982	10,530	137%
	\$ 494,161	478,772	3%

Additional information of the District's capital assets can be found in Note 4 on page 35 of this report.

**Debt Administration.** At June 30, 2008, the District had \$160,000 in Qualified Zone Academy Bonds and \$294,211 in other long-term debt outstanding, of which \$74,489 is due within one year. The District maintains an AA bond rating.

			Percentage
	2008	2007	Change
QZAB payable	\$ 160,000	180,000	-11%
Obligations under capital leases	114,997	135,329	-15%
Other loans payable	170,799	203,703	-16%
Compensated absences	8,415	9,441	-11%
	\$ 454,211	528,473	-14%

Additional information of the District's long-term debt can be found in Note 5 on page 36 of this report.

## CURRENT ISSUES

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Benoit School District, P. O. Box 189, Benoit, MS 38725.

## FINANCIAL STATEMENTS

**BENOIT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 895,400
<i>Investments</i>	2,524
<i>Due from other governments</i>	142,388
<i>Accrued interest receivable</i>	86
<i>Inventories</i>	1,744
<i>Restricted assets</i>	32,517
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	1,000
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	333,405
<i>Improvements other than buildings</i>	53,744
<i>Mobile equipment</i>	81,030
<i>Furniture and equipment</i>	24,982
<b>Total Assets</b>	<u>1,568,820</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	16,133
<i>Unearned revenue</i>	23,306
<i>Interest payable on long-term liabilities</i>	3,705
 Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	74,489
 Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	371,307
<i>Non-capital related liabilities</i>	8,415
 <b>Total Liabilities</b>	<u>497,355</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	48,366
Restricted Net Assets:	
Expendable:	
School-based activities	584,130
Debt Service	449
Capital Improvement	53,032
Unemployment benefits	10,153
Forestry improvements	4,626
Sixteenth section	2,610
Non-expendable:	
Sixteenth Section	32,517
Unrestricted	335,582
<b>Total Net Assets</b>	<u>\$ 1,071,465</u>

The accompanying notes are an integral part of this statement.

**BENOIT SCHOOL DISTRICT**  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities:					
<i>Instruction</i>	1,654,890	42,972	559,714	9,302	(1,042,902)
<i>Support services</i>	1,369,203	--	280,706	--	(1,088,497)
<i>Noninstructional services</i>	286,632	20,681	234,818	--	(31,133)
<i>Sixteenth section</i>	55,777	--	--	--	(55,777)
<i>Interest on long-term liabilities</i>	6,408	--	--	--	(6,408)
Total Primary Government	<u>\$ 3,372,910</u>	<u>\$ 63,653</u>	<u>\$ 1,075,238</u>	<u>\$ 9,302</u>	<u>(2,224,717)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					787,999
<i>Debt purpose levies</i>					20,000
Unrestricted grants and contributions:					
<i>State</i>					1,329,089
<i>Federal</i>					24,712
<i>Unrestricted investment earnings</i>					5,825
<i>Sixteenth section sources</i>					177,183
<i>Other</i>					12,866
Total general revenues					<u>2,357,674</u>
Change in Net Assets					132,957
Net Assets - Beginning					893,140
Prior Period Adjustment					45,368
Net Assets - Restated					<u>938,508</u>
Net Assets - Ending					<u>\$ 1,071,465</u>

The accompanying notes are an integral part of this statement.

**BENOIT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General Fund	Title I - A Basic FYE 2003	Title I - B-3 Reading First FYE - 2003
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 228,133	\$ --	\$ --
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	24,256	47,497	14,711
<i>Accrued interest receivable</i>	--	--	--
<i>Due from other funds</i>	105,329	--	--
<i>Inventories</i>	--	--	--
<b>Total Assets</b>	<b>\$ 357,718</b>	<b>\$ 47,497</b>	<b>\$ 14,711</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
<i>Accounts payable and accrued liabilities</i>	\$ 9,566	\$ 107	\$ 116
<i>Due to other funds</i>	--	47,390	14,595
<i>Unearned revenue</i>	--	--	--
<b>Total Liabilities</b>	<b>9,566</b>	<b>47,497</b>	<b>14,711</b>
<b>Fund balances:</b>			
<b>Reserved for:</b>			
<i>Inventory</i>	--	--	--
<i>Ad valorem</i>	43,698	--	--
<i>Unemployment</i>	--	--	--
<i>Forestry</i>	--	--	--
<i>Capital projects funds</i>	--	--	--
<i>Permanent funds</i>	--	--	--
<b>Unreserved, undesignated, reported in:</b>			
<i>General fund</i>	304,454	--	--
<i>Special Revenue funds</i>	--	--	--
<b>Total Fund Balances</b>	<b>348,152</b>	<b>--</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 357,718</b>	<b>\$ 47,497</b>	<b>\$ 14,711</b>

The accompanying notes are an integral part of this statement.

Title I Even Start Funds	Sixteenth Section Interest Fund	Reading Sufficiency	Other Governmental Funds	Total Governmental Funds
\$ 18,012	\$ 430,949	\$ 55	\$ 250,768	\$ 927,917
--	--	--	2,524	2,524
--	--	33,560	22,364	142,388
--	--	--	86	86
--	--	--	--	105,329
--	--	--	1,744	1,744
<u>\$ 18,012</u>	<u>\$ 430,949</u>	<u>\$ 33,615</u>	<u>\$ 277,486</u>	<u>\$ 1,179,988</u>
\$ --	\$ --	\$ 4,759	\$ 1,585	\$ 16,133
--	--	21,899	21,445	105,329
18,012	--	--	5,294	23,306
<u>18,012</u>	<u>--</u>	<u>26,658</u>	<u>28,324</u>	<u>144,768</u>
--	--	--	1,744	1,744
--	--	--	--	43,698
--	--	--	10,153	10,153
--	--	--	4,626	4,626
--	--	--	53,032	53,032
--	--	--	35,127	35,127
--	--	--	--	304,454
--	430,949	6,957	144,480	582,386
--	430,949	6,957	249,162	1,035,220
<u>\$ 18,012</u>	<u>\$ 430,949</u>	<u>\$ 33,615</u>	<u>\$ 277,486</u>	<u>\$ 1,179,988</u>

**BENOIT SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances - governmental funds balance sheet	\$ 1,035,220
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	494,161
Liabilities due in one year are not recognized in the funds.	(74,489)
Payables for bond principal which are not due in the current period are not reported in the funds.	(140,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(93,824)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3,705)
Payables for compensated absences not due in the current period are not reported in the funds.	(8,415)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	<u>(137,483)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 1,071,465</u>

The accompanying notes are an integral part of this statement.

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**BENOIT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Title I - A Basic FYE 2003	Title I - B-3 Reading First FYE - 2003
Revenue:			
<i>Local sources</i>	\$ 848,343	\$ 570	\$ --
<i>State sources</i>	1,336,514	--	--
<i>Federal sources</i>	24,712	255,480	240,037
<i>Sixteenth section sources</i>	--	--	--
Total revenues	<u>2,209,569</u>	<u>256,050</u>	<u>240,037</u>
Expenditures:			
Instruction	1,100,433	139,721	227,364
Support services	1,055,586	104,772	6,750
Noninstructional services	--	5,274	--
Sixteenth section	--	--	--
Debt service:			
<i>Principal</i>	53,236	--	--
<i>Interest</i>	7,883	--	--
Total expenditures	<u>2,217,138</u>	<u>249,767</u>	<u>234,114</u>
Excess (deficiency) of revenues (over) expenditures	(7,569)	6,283	5,923
Other financing sources (uses):			
Operating transfers in	150,364	--	--
Other financing sources	3,038	--	--
Operating transfers out	--	(6,283)	(5,923)
Other financing uses	(101)	--	--
Total other financing sources (uses)	<u>153,301</u>	<u>(6,283)</u>	<u>(5,923)</u>
Net change in fund balance	145,732	--	--
Fund Balances:			
July 1, 2007	202,420	--	--
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2008	<u>\$ 348,152</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Title I Even Start Funds	Sixteenth Section Interest Fund	Reading Sufficiency	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 44,028	\$ 892,941
--	--	84,560	22,483	1,443,557
40,038	--	--	428,825	989,092
--	176,054	--	1,129	177,183
<u>40,038</u>	<u>176,054</u>	<u>84,560</u>	<u>496,465</u>	<u>3,502,773</u>
--	--	59,386	112,799	1,639,703
--	--	14,979	174,151	1,356,238
40,038	--	1,323	232,906	279,541
--	55,777	--	--	55,777
--	--	--	--	53,236
--	--	--	--	7,883
<u>40,038</u>	<u>55,777</u>	<u>75,688</u>	<u>519,856</u>	<u>3,392,378</u>
--	120,277	8,872	(23,391)	110,395
--	--	--	30,852	181,216
--	--	--	56	3,094
--	(150,000)	(1,915)	(17,095)	(181,216)
--	--	--	(21,636)	(21,737)
<u>--</u>	<u>(150,000)</u>	<u>(1,915)</u>	<u>(7,823)</u>	<u>(18,643)</u>
--	(29,723)	6,957	(31,214)	91,752
--	460,672	--	283,903	946,995
--	--	--	(3,527)	(3,527)
<u>\$ --</u>	<u>\$ 430,949</u>	<u>\$ 6,957</u>	<u>\$ 249,162</u>	<u>\$ 1,035,220</u>

**BENOIT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	91,752
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		14,250
The depreciation of capital assets used in governmental activities is not reported in the funds.		(35,648)
The gain or loss on the sale of capital assets is not reported in the funds.		(8,581)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		20,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		20,332
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		32,904
(Increase) decrease in accrued interest from beginning of period to end of period		449
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.		1,026
Change in inventory is an adjustment to fund balance but affects expense in SOA.		(3,527)
Change in net assets of governmental activities - statement of activities	\$	<u>132,957</u>

The accompanying notes are an integral part of this statement.

**BENOIT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 JUNE 30, 2008

	Agency Fund
	Payroll Clearing Fund
<b>ASSETS</b>	
Assets:	
<i>Cash and other deposits</i>	\$ 76,641
<b>Total Assets</b>	<b>\$ 76,641</b>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accrued payroll</i>	\$ 55,849
<i>Salary benefits payable</i>	14,315
<i>Salary withholdings payable</i>	6,477
<b>Total Liabilities</b>	<b>\$ 76,641</b>

The accompanying notes are an integral part of this statement.

**Benoit School District**  
Notes to the Financial Statements  
June 30, 2008

## **Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

(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.**

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Benoit since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

**B. Basis of Presentation.**

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with

## **Benoit School District**

### Notes to Financial Statements For the Year Ended June 30, 2008

program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

#### *Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

#### C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Title I - A Basic FYE 2003 - This is a special revenue fund that accounts for

## **Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

the current year proceeds of the Title I Grant.

Title I - B-3 Reading First FYE-2003 - This is a special revenue fund that accounts for the current year proceeds of the Reading First Grant.

Title I - Even Start Funds - This is a special revenue fund that accounts for the current year proceeds of the Title I Even Start Grant.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for the expendable activity of the Sixteenth Section Interest trust monies.

Reading Sufficiency Fund - This is a special revenue fund that accounts for the current year proceeds of the Reading Sufficiency Grant.

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

Additionally, the school district reports the following fund types:

### **GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

### **FIDUCIARY FUNDS**

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

#### **D. Account Classifications.**

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

## **Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

*ing for Local and State School Systems, 2003* issued by the U.S. Department of Education.

### **E. Encumbrances.**

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

### **F. Cash and Cash Equivalents.**

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

### **G. 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 are reported at fair value.

### **H. Inventories and Prepaid Items.**

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

### **I. Capital Assets.**

## Benoit School District

### Notes to Financial Statements For the Year Ended June 30, 2008

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

#### J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in governmental column. See Note 5 for details.

#### K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

## Benoit School District

### Notes to Financial Statements For the Year Ended June 30, 2008

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

#### L. Equity Classifications.

##### *Government-wide Financial Statements:*

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

##### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance

## **Benoit School District**

### Notes to Financial Statements For the Year Ended June 30, 2008

which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

Reserved for unemployment - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserve for forestry improvements purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section lands.

Reserve for permanent funds - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Reserved for capital projects - An account that represents that portion of fund balance in the capital project fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Unreserved, undesignated - represents portions of fund equity that are not legally segregated for a specific future use or are available for current operations.

#### **M. Property Taxes.**

Ad valorem property taxes are levied by the governing authorities of the city 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.

#### **N. Mississippi Adequate Education Program Revenues.**

Revenues from the 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.

#### **O. Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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

## Benoit School District

### Notes to Financial Statements For the Year Ended June 30, 2008

required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

#### (2) Cash and cash equivalents.

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

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

#### Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$927,917 and \$76,641 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents \$895,400 and restricted assets \$32,517. The restricted assets of \$32,517 represent the investment and cash balance of the Sixteenth Section Principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs. The bank balance was \$1,078,491.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$1,078,491 was exposed to custodial credit risk.

**Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 105,329	
Title I A Basic FYE 2003 Fund		47,390
Title I B-3 Reading First FYE 2003		14,595
Reading Sufficiency		21,899
Other Governmental Funds		<u>21,445</u>
Total Funds	<u>\$ 105,329</u>	<u>\$ 105,329</u>

The purpose of the Due From/To other funds balances was to eliminate cash balance. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 150,364	
Title I A Basic FYE 2003 Fund	0	6,283
Title I B-3 Reading First FY 2003 Fund	0	5,923
Sixteenth Section Interest Fund		150,000
Reading Sufficiency Fund		1,915
Other Governmental Funds	<u>30,852</u>	<u>17,095</u>
Total Funds	<u>\$ 181,216</u>	<u>181,216</u>

The purpose of the transfers was to transfer indirect costs, to fund employment escrow and to fund capital related expenditures. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

**Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,000					1,000
Total non-depreciable capital assets	1,000	0	0	0	0	1,000
<u>Depreciable capital assets:</u>						
Buildings	861,578					861,578
Improvements other than buildings	67,180					67,180
Mobile equipment	325,434		81,958			243,476
Furniture and equipment	164,079	14,250	38,538		6,996	146,787
Total depreciable capital assets	1,418,271	14,250	120,496	0	6,996	1,319,021
<u>Less accumulated depreciation for:</u>						
Buildings	547,362	9,179			(28,368)	528,173
Improvements other than buildings	20,209	2,687			(9,460)	13,436
Mobile equipment	219,379	16,363	73,762		466	162,446
Furniture and equipment	153,549	7,419	38,153		(1,010)	121,805
Total accumulated depreciation	940,499	35,648	111,915	0	(38,372)	825,860
Total depreciable capital assets, net	477,772	(21,398)	8,581	0	45,368	493,161
Governmental activities capital assets, net	\$ 478,772	(21,398)	8,581	0	45,368	494,161

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 24,954
Support services	7,130
Non-instructional	<u>3,564</u>
<b>Total depreciation expense</b>	<b>\$ <u>35,648</u></b>

Adjustments were made to fairly state capital assets.

(5) Long-term liabilities.

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

**Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one year
A. QZAB payable	\$ 180,000		20,000		160,000	20,000
B. Obligations under capital leases	135,329		20,332		114,997	21,173
C. Other loans payable	203,703		32,904		170,799	33,316
D. Compensated absences payable	9,441		1,026		8,415	
<b>Total</b>	<b>\$ 528,473</b>	<b>0</b>	<b>74,262</b>	<b>0</b>	<b>454,211</b>	<b>74,489</b>

A. Qualified Zone Academy bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2006	none	06-14-06	6-14-16	\$ 200,000	160,000
<b>Total</b>				<b>\$ 200,000</b>	<b>160,000</b>

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

Year Ending June 30	Principal
2009	\$ 20,000
2010	20,000
2011	20,000
2012	20,000
2013	20,000
2014-2016	60,000
<b>Total</b>	<b>\$ 160,000</b>

This debt will be retired from the District Maintenance Fund.

B. Obligations under capital leases

**Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of school buses and energy renovations.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Capital leases		06-03-03	3-10-13	\$ <u>210,133</u>	<u>114,997</u>
Total				\$ <u>210,133</u>	<u>114,997</u>

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

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2009	\$ 21,173	4,496	25,669
2010	22,049	3,620	25,669
2011	22,962	2,707	25,669
2012	23,912	1,757	25,669
2013	<u>24,901</u>	<u>768</u>	<u>25,669</u>
Total	\$ <u>114,997</u>	<u>13,348</u>	<u>128,345</u>

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

C. Other loans payable.

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

Debt currently outstanding is as follows:

**Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Loan payable	1.25%	6/30/03	7/01/12	<u>\$300,000</u>	<u>\$170,799</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 33,316	2,135	35,451
2010	33,733	1,718	35,451
2011	34,154	1,297	35,451
2012	34,581	870	35,451
2013	35,015	438	35,453
<b>Total</b>	<b>\$ 170,799</b>	<b>6,458</b>	<b>177,257</b>

This debt will be retired from the District Maintenance fund.

D. Compensated absences payable.

As more fully explained in Note 1(O), 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.

(6) Defined Benefit Pension Plan.

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years

## Benoit School District

### Notes to Financial Statements For the Year Ended June 30, 2008

ending June 30, 2008, 2007 and 2006 were \$186,774, \$180,851, and \$182,514, respectively, which equaled the required contributions for each year.

#### (7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2009	\$ 114,736
2010	16,000
Total	<u>\$ 130,736</u>

#### (8) 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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to

## **Benoit School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(9) **Vocation School Consortium.**

The school district entered into a Vocational Educational Agreement dated July 10, 2001, creating the Interlocal Cooperation. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Benoit School District and the West Bolivar School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The West Bolivar School District has been designated as the fiscal agent for the Interlocal Cooperation, and the operations of the consortium are included in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2008

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 839,558	848,344	848,343	8,786	(1)
State sources	1,296,981	1,336,514	1,336,514	39,533	0
Federal sources	13,500	24,712	24,712	11,212	0
Total Revenues	<u>2,150,039</u>	<u>2,209,570</u>	<u>2,209,569</u>	<u>59,531</u>	<u>(1)</u>
<b>Expenditures:</b>					
Instruction	1,119,977	1,100,429	1,100,433	19,548	(4)
Support services	1,142,828	1,056,217	1,055,586	86,611	631
Facilities acquisition and construction				0	0
Debt service:				0	0
Principal	81,120	53,236	53,237	27,884	(1)
Interest	6,000	7,883	7,882	(1,883)	1
Total Expenditures	<u>2,349,925</u>	<u>2,217,765</u>	<u>2,217,138</u>	<u>132,160</u>	<u>627</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(199,886)</u>	<u>(8,195)</u>	<u>(7,569)</u>	<u>191,691</u>	<u>626</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries				0	-
Other financing sources		3,038	3,038	3,038	-
Operating transfers in	223,112	365,858	150,364	142,746	(215,494)
Operating transfers out	(51,990)	(215,494)		(163,504)	215,494
Other financing uses		(101)	(101)	(101)	-
Total Other Financing Sources (Uses)	<u>171,122</u>	<u>153,301</u>	<u>153,301</u>	<u>(17,821)</u>	<u>-</u>
Net Change in Fund Balances	<u>(28,764)</u>	<u>145,106</u>	<u>145,732</u>	<u>173,870</u>	<u>626</u>
<b>Fund Balances:</b>					
July 1, 2007	194,452	203,048	202,420	8,596	(628)
June 30, 2008	<u>\$ 165,688</u>	<u>348,154</u>	<u>348,152</u>	<u>182,466</u>	<u>(2)</u>

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

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I A Basic FYE 2003  
 For the Year Ended June 30, 2008

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative)	
				Original to Final	Final to Actual
<b>Revenues:</b>					
Local Sources	\$	570	570	570	-
State Sources				-	-
Federal Sources		259,110	255,480	(3,630)	-
Total Revenues		<u>259,110</u>	<u>256,050</u>	<u>(3,060)</u>	<u>-</u>
<b>Expenditures:</b>					
Instructional		114,453	139,721	(25,268)	-
Support service		125,715	104,772	20,943	-
Non instructional services		12,956	5,274	7,682	-
Total Expenditures		<u>253,124</u>	<u>249,767</u>	<u>3,357</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
		<u>5,986</u>	<u>6,283</u>	<u>297</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out		(5,986)	(6,283)	(297)	0
Total Other Financing Sources (Uses)		<u>(5,986)</u>	<u>(6,283)</u>	<u>(297)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>					
		<u>0</u>	<u>0</u>	<u>-</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2007				-	-
June 30, 2008	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>

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

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I -B-3 Reading First FYE 2003  
 For the Year Ended June 30, 2008

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	-	-	-	-
Federal sources	150,000	240,037	240,037	90,037	-
Total Revenues	150,000	240,037	240,037	90,037	-
<b>Expenditures:</b>					
Instruction	146,205	227,364	227,364	(81,159)	-
Support services		6,750	6,750	(6,750)	-
Noninstructional services				-	-
Total Expenditures	146,205	234,114	234,114	(87,909)	-
Excess (Deficiency) of Revenues Over Expenditures	3,795	5,923	5,923	2,128	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(3,795)	(5,923)	(5,923)	(2,128)	-
Total Other Financing Sources (Uses)	(3,795)	(5,923)	(5,923)	(2,128)	-
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2007			-	-	-
June 30, 2008	\$ -	-	-	-	-

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

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I - Even Start Funds  
 For the Year Ended June 30, 2008

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 70,000	40,038	40,038	(29,962)	-
Total Revenues	70,000	40,038	40,038	(29,962)	-
<b>Expenditures:</b>					
Instruction				-	-
Non instructional	66,789	40,038	40,038	26,751	
Total Expenditures	66,789	40,038	40,038	26,751	-
Excess (Deficiency) of Revenues Over Expenditures	3,211	-	-	(3,211)	-
<b>Other Financing Sources (Uses):</b>					
Operating Transfers out	(3,211)			3,211	-
Total Other Financing Sources (Uses)	(3,211)	-	-	3,211	-
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2007				-	-
June 30, 2008	\$ -	-	-	-	-

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

**BENOIT SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Sixteenth Section Interest Fund**  
**For the Year Ended June 30, 2008**

Exhibit 5

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 224,700	176,054	176,054	(48,646)	-
Total Revenues	<u>224,700</u>	<u>176,054</u>	<u>176,054</u>	<u>(48,646)</u>	<u>-</u>
Expenditures:					
Instruction				-	-
Sixteenth section	60,950	55,777	55,777	5,173	-
Total Expenditures	<u>60,950</u>	<u>55,777</u>	<u>55,777</u>	<u>5,173</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>163,750</u>	<u>120,277</u>	<u>120,277</u>	<u>(43,473)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(181,128)	(150,000)	(150,000)	31,128	-
Total Other Financing Sources (Uses)	<u>(181,128)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>31,128</u>	<u>-</u>
Net Change in Fund Balances	<u>(17,378)</u>	<u>(29,723)</u>	<u>(29,723)</u>	<u>(12,345)</u>	<u>-</u>
Fund Balances:					
July 1, 2007	494,670	460,672	460,672	(33,998)	-
June 30, 2008	<u>\$ 477,292</u>	<u>430,949</u>	<u>430,949</u>	<u>(46,343)</u>	<u>-</u>

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

**BENOIT SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Reading Sufficiency Fund  
 For the Year Ended June 30, 2008

Exhibit 6

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
State sources	\$ 85,000	77,603	84,560	(7,397)	6,957
Total Revenues	85,000	77,603	84,560	(7,397)	6,957
Expenditures:					
Instruction	58,048	59,386	59,386	(1,338)	-
Support services	23,302	14,979	14,979	8,323	-
Noninstructional services	1,500	1,323	1,323	177	-
Total Expenditures	82,850	75,688	75,688	7,162	-
Excess (Deficiency) of Revenues Over Expenditures	2,150	1,915	8,872	(235)	6,957
Other Financing Sources (Uses):					
Operating transfers out	(2,151)	(1,915)	(1,915)	236	-
Total Other Financing Sources (Uses)	(2,151)	(1,915)	(1,915)	236	-
Net Change in Fund Balances	(1)	-	6,957	1	6,957
Fund Balances:					
July 1, 2007				-	-
June 30, 2008	\$ (1)	-	6,957	1	6,957

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

## **Benoit School District**

### Notes to the Required Supplementary Information For the Year Ended June 30, 2008

#### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

**Benoit School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2008

**Schedule 1**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE/</b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	56,668
National School Lunch Program	10.555	125,642
Total Child Nutrition cluster		<u>182,310</u>
Total passed-through the MDE		<u>182,310</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>		<u><u>182,310</u></u>
 <b>FEDERAL COMMUNICATION COMMISSION</b>		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	17,557
Total Federal Communication Commission		<u>17,557</u>
 <b>U. S. DEPARTMENT OF EDUCATION/</b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	296,088
Safe and Drug-Free Schools and Communities - State Grants	84.186	4,635
Twenty-first century community learning centers	84.287	81,958
State Grants for Innovative Programs	84.298	1,139
Education technology - state grants	84.318	2,016
Reading first - state grants	84.357	240,037
Improving teacher quality - state grants	84.367	63,291
Grants for State Assessments and Related Activities	84.369	1,636
Sub-total		<u>690,800</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	89,558
Special Education - Preschool Grants	84.173	216
Total Special Education Cluster		<u>89,774</u>
Total passed-through the MDE		<u>780,574</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>		<u><u>780,574</u></u>
 <b>TOTAL FOR ALL FEDERAL AWARDS</b>		 <u><u>\$980,441</u></u>

Notes to Schedule

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

82 **Benoit School District**  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2008

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 2,254,411	1,574,597	287,223	110,367	282,224
Other	1,137,967	458,963	85,711	3,813	589,480
<b>Total</b>	<b>\$ 3,392,378</b>	<b>2,033,560</b>	<b>372,934</b>	<b>114,180</b>	<b>871,704</b>

Total number of students \* 270

Cost per student \$ 12,564 7,532 1,381 423 3,229

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)

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

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

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

includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

OTHER SUPPLEMENTAL INFORMATION

BENOIT SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 848,343	783,651	721,092	721,113
State sources	1,336,514	1,251,057	1,240,527	1,339,339
Federal sources	24,712	13,423	16,678	31,187
<b>Total Revenues</b>	<b>2,209,569</b>	<b>2,048,131</b>	<b>1,978,297</b>	<b>2,091,639</b>
<b>Expenditures:</b>				
Instruction	1,100,433	985,034	1,152,026	1,178,512
Support services	1,055,586	1,301,269	1,160,261	988,232
Debt service:				
Principal	53,237	52,022	50,845	49,704
Interest	7,882	9,098	10,274	11,320
<b>Total Expenditures</b>	<b>2,217,138</b>	<b>2,347,423</b>	<b>2,373,406</b>	<b>2,227,768</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(7,569)</b>	<b>(299,292)</b>	<b>(395,109)</b>	<b>(136,129)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries		119,380	22,017	
Sale of other property			440	
Operating transfers in	150,364	253,723	295,679	247,303
Other financing sources	3,038	3,216		
Operating transfers out			(1,599)	(2,970)
Other financing uses	(101)	(163)	(37,641)	
<b>Total Other Financing Sources (Uses)</b>	<b>153,301</b>	<b>376,156</b>	<b>278,896</b>	<b>244,333</b>
<b>Net Change in Fund Balances</b>	<b>145,732</b>	<b>76,864</b>	<b>(116,213)</b>	<b>108,204</b>
<b>Fund Balances:</b>				
July 1,	202,420	125,556	241,769	133,565
June 30,	\$ 348,152	202,420	125,556	241,769

\*SOURCE - PRIOR YEAR AUDIT REPORTS

BENOIT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 892,941	838,173	777,761	891,673
State sources	1,443,557	1,419,262	1,318,957	1,365,417
Federal sources	989,092	980,714	1,272,239	1,279,089
Sixteenth section sources	177,183	229,303	228,970	223,637
<b>Total Revenues</b>	<b>3,502,773</b>	<b>3,467,452</b>	<b>3,597,927</b>	<b>3,759,816</b>
<b>Expenditures:</b>				
Instruction	1,639,703	1,490,552	1,609,689	1,738,068
Support services	1,356,238	1,740,474	1,813,467	1,589,654
Noninstructional services	279,541	225,456	274,485	265,670
Sixteenth section	55,777	55,030	47,067	41,355
Debt service:				
Principal	53,237	72,022	50,845	49,704
Interest	7,882	5,348	10,274	11,320
<b>Total Expenditures</b>	<b>3,392,378</b>	<b>3,592,632</b>	<b>3,805,827</b>	<b>3,695,771</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>110,395</b>	<b>(125,180)</b>	<b>(207,900)</b>	<b>64,045</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds			191,600	
Insurance loss recoveries		119,380	22,017	
Sale of other property			440	
Operating transfers in	181,216	273,194	297,278	250,273
Other financing sources	3,094	3,216		
Operating transfers out	(181,216)	(273,194)	(297,278)	(250,273)
Other financing uses	(21,737)	(163)	(37,641)	
<b>Total Other Financing Sources (Uses)</b>	<b>(18,643)</b>	<b>122,433</b>	<b>176,416</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>91,752</b>	<b>(2,747)</b>	<b>(31,484)</b>	<b>64,045</b>
<b>Fund Balances:</b>				
July 1,	946,995	947,407	978,087	913,920
Increase (Decrease) in reserve for inventory	(3,527)	2,335	804	122
June 30,	<b>\$ 1,035,220</b>	<b>946,995</b>	<b>947,407</b>	<b>978,087</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

# FORTENBERRY & BALLARD, PC

Certified Public Accountants

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

Superintendent and School Board  
Benoit School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

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in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 28, 2008

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**

**Certified Public Accountants**

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board  
Benoit School District

Compliance

We have audited the compliance of the Benoit School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, the Benoit School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Benoit School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 28, 2008

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Benoit School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benoit School District as of and for the year ended June 30, 2008, which collectively comprise Benoit School District's basic financial statements and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$1,098 of classroom supply funds carried over from previous years.

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

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

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 28, 2008

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Benoit School District**  
 Schedule of Findings and Questioned Costs  
 June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:                                  | Unqualified |
| 2. | Material noncompliance relating to the financial statements?                                  | No          |
| 3. | Internal control over financial reporting:  |             |
|    | a. Material weakness(es) identified?  | No          |
|    | b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | Yes         |

Federal Awards:

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
|     | a. Material weakness(es) identified?   | No          |
|     | b. Significant deficiency (ies) identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
|     | a. Title I - grants to local educational agencies<br>CFDA # 84.010   |             |
|     | b. Reading First - State Grants<br>CFDA # 84.357   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes         |

## Section 2: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

### Significant deficiency

#### Finding 2008 - 1

During our observation and testing of expenditures, we noted the following internal control deficiencies:

1. We noted two payments that were made in advance of services being performed.
2. Several payments were noted as having been paid in advance of Board approval of the claims docket. Upon further observation, we noted that the Board does have a policy addressing certain items which will not require the issuance of a purchase order. However, the policy does not clearly address the approval of the types of claims and set limits of the dollar amount for payment of claims approved to be paid by the superintendent and ratified by the board at their next regularly scheduled meeting as required by Mississippi Code Section 37-7-301.

#### Recommendation

1. Payment should be made only after services have been rendered.
2. The current Board policy entitled "School District Purchasing" issued in October of 1995 should be clarified to give specific approval as to the types of claims and the set limits of the dollar amount for payment of claims approved to be paid by the superintendent and ratified by the board at their next regularly scheduled meeting in accordance with Mississippi Code Section 37-7-301.

#### School District's Response:

1. The school district will ensure that payments are made only after services are performed.
2. The School District Purchasing policy that was issued in October 1995 will be reviewed and amended as necessary to clearly address the approval of the types of claims approved to be paid by the superintendent and ratified by the board at their next regularly scheduled meeting as required by Mississippi Code Section 37-7-301.

## Section 3: Findings for Federal Awards

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

AUDITEE'S CORRECTIVE ACTION PLAN  
AND SCHEDULE OF PRIOR YEAR FINDINGS

**Benoit School District**  
P.O. Box 189  
Benoit, MS 38725  
**Dr. Beverly Culley - Superintendent**  
**Kamillah Woods - Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315(b) of OMB Circular A-133, the Benoit 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, 2008:

Finding Corrective Action Plan Details

2008-1 a. Name of Contact Person Responsible for Corrective Action:

name: Kamillah Woods  
title: Business Manager  
phone number: 662-742-3287

b. Corrective Action Planned:

The school district will ensure that payments are made only after services are performed. The School District Purchasing policy will be reviewed and amended as necessary to clearly address the approval of the types of claims approved to be paid by the superintendent and ratified by the board at their next regularly scheduled meeting as required by Mississippi Code Section 37-7-301.

c. Anticipated Completion Date: 06-30-09

**Benoit School District**  
P.O. Box 189  
Benoit, MS 38725  
**Dr. Bevely Culley - Superintendent**  
**Kamillah Woods - Business Manager**

SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the Benoit School District has prepared and hereby submits the following Summary of the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2007:

<u>Finding</u>	<u>Status</u>
2007-1	Correction in progress
2007-2	Correction in progress