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BENTON COUNTY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2011

Bridgers & Company, P.C.
Certified Public Accountants
Vicksburg, Mississippi

BENTON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	14
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Assets and Liabilities	21
Notes to Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	41
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - Title I Basic Fund	43
Budgetary Comparison Schedule - EHA Part B Fund	44
Notes to the Required Supplementary Information	45
SUPPLEMENTAL INFORMATION	46
Schedule of Expenditures of Federal Awards	47
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	49

BENTON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

OTHER INFORMATION	50
Statement of Revenues, Expenditures and Changes in Fund Balance	
General Fund - Last Four Years	51
All Governmental Funds - Last Four Years	52
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	53
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 <i>Government Auditing Standards</i>	54
Independent Auditor's Report on Compliance with Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	56
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	58
Independent Auditor's Report on Compliance with State Laws and Regulations	59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	61
AUDITEE'S CORRECTIVE ACTION PLAN	65
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	

BENTON COUNTY SCHOOL DISTRICT

Financial Audit Report

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DAVID I. BRIDGERS, JR., CPA

INDEPENDENT AUDITOR'S REPORT

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

Superintendent and School Board
Benton County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benton County School District as of and for the year ended June 30, 2011, which collectively comprise the Benton County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Benton County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Benton County School District, as of June 30, 2011, 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 December 27, 2011, on our consideration of the Benton County 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.

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

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

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

Bridgers & Company, P.C.
Bridgers & Company, P.C.
Vicksburg, Mississippi
December 27, 2011

BENTON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of the Benton County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Total net assets for 2011 increased by \$432,861, which represents a 7% increase from fiscal year 2010. Total net assets for 2010 increased \$278,846, which represents a 5% increase from fiscal year 2009.

General revenues amounted to \$7,914,161 and \$8,362,943, or 71% and 74% of all revenues for the fiscal years 2011 and 2010 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,217,671, or 29% of total revenues for 2011, and \$2,892,327, or 26% of total revenues for 2010.

The District had \$10,698,971 and \$10,976,424 in expenses for fiscal years 2011 and 2010; only \$3,217,671 for 2011 and \$2,892,327 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,914,161 for 2011 and \$8,362,943 for 2010 were adequate to provide for these programs.

Among major funds, the General Fund had \$7,471,624 in revenues and \$7,044,962 in expenditures for 2011, and \$7,958,424 in revenues and \$7,438,811 in expenditures for 2010. The General Fund's fund balance increased by \$236,434 from 2010 to 2011, and increased by \$258,398, from 2009 to 2010.

Capital assets, net of accumulated depreciation, increased by \$41,898 for 2011 and decreased by \$79,175 for 2010. The increase for 2011 was due primarily to the acquisition of mobile equipment and construction in progress.

Long-term debt increased by \$989,987 for 2011 and increased by \$ 104,854 for 2010. The increase for 2011 was primarily to the issuance of QSCB bonds in the amount of \$1,075,000. The liability for compensated absences increased by \$2,959 for 2011 and decreased by \$237 for 2010.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide financial statements

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

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

Fund financial statements.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and the governmental funds 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.

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

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of government's financial position. Assets exceeded liabilities by \$6,369,538 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 3,071,196	1,814,765	69.23%
Restricted assets	707,310	541,080	30.72%
Capital assets, net	5,222,979	5,181,081	0.81%
Total assets	9,001,485	7,536,926	19.43%
Current liabilities	105,790	64,079	65.09%
Long-term debt outstanding	2,526,157	1,536,170	64.45%
Total liabilities	2,631,947	1,600,249	64.47%
Net assets:			
Invested in capital assets, net of related debt	2,885,979	3,877,081	-25.56%
Restricted	1,811,735	926,082	95.63%
Unrestricted	1,671,824	1,133,514	47.49%
Total net assets	\$ 6,369,538	\$ 936,677	7.29%

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

Issued bonds in the amount of \$1,075,000.

The principal retirement of \$ 87,972 of long-term debt.

Change in net assets

The District's total revenues for the fiscal year ended June 30, 2011 and June 30, 2010, were \$11,131,832 and \$11,255,270, respectively. The total cost of all programs and services was \$10,698,971 for 2011 and \$10,976,424 for 2010.

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2011 and June 30, 2010.

Table 2
Changes In Net Assets

Revenues:	Year Ended <u>June 30, 2011</u>	Year Ended <u>June 30, 2010</u>	Percentage <u>Change</u>
Program revenues			
Charges for services	\$ 248,877	263,273	-5.47%
Operating grants and contributions	2,968,794	2,629,054	12.92%
General revenues:			
Property taxes	1,537,553	1,430,161	7.51%
Grants and contributions not restricted	6,133,544	6,768,883	-9.39%
Investment earnings	123,975	29,343	322.50%
Other	119,089	134,556	-11.49%
Total revenues	<u>11,131,832</u>	<u>11,255,270</u>	-1.10%
Expenses:			
Instruction	5,774,792	5,885,523	-1.88%
Support services	4,134,943	4,167,711	-0.79%
Non-instructional	746,894	847,958	-11.92%
Interest on long-term liabilities	42,342	75,232	-43.72%
Total expenses	<u>10,698,971</u>	<u>10,976,424</u>	-2.53%
Increase in net assets	<u>432,861</u>	<u>278,846</u>	55.23%
Net Assets, July 1	<u>5,936,677</u>	<u>5,657,831</u>	4.93%
Net Assets, June 30	<u>\$ 6,369,538</u>	<u>5,936,677</u>	7.29%

Governmental activities

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

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2011	2010	
Instruction	\$ 5,774,792	5,885,553	-1.88%
Support services	4,134,943	4,167,711	-0.79%
Non-instructional	746,894	847,958	-11.92%
Interest on long-term liabilities	42,342	75,232	-43.72%
Total expenses	\$ 10,698,971	\$10,976,454	-2.53%
	<u>Net (Expense) Revenue</u>		Change
	2011	2010	
Instruction	\$ (3,942,676)	(4,585,607)	-14.02%
Support services	(3,506,680)	(3,425,561)	2.37%
Non-instructional	10,398	2,303	351.50%
Interest on long-term liabilities	(42,342)	(75,232)	-43.72%
Total net (expense) revenue	\$ (7,481,300)	(8,084,097)	-7.46%

The net cost of governmental activities, (\$7,481,300 for 2011 and \$8,084,097 for 2010), was financed by general revenue, which is made up of primarily property taxes of (\$1,537,553 for 2011 and \$1,430,161 for 2010) and state and federal revenues of (\$6,133,544 for 2011 and \$6,768,883 for 2010).

Investment earnings amounted to \$123,975 for 2011 and \$29,343 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,662,888, an increase of \$1,364,553, which includes a decrease in reserve for inventory of \$1,025. \$1,752,003, or 48%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,910,885, or 52%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$236,434. The fund balance of Other Governmental Funds showed a decrease in the amount of \$20,384, which includes a decrease in reserve for inventory of \$1,025. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic Fund	no increase or decrease
EHA Special Education Fund	no increase or decrease
Capital Projects Fund	\$ 982,273
OZAB Fund	\$ 166,230

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local sources in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately \$348,904 in Budget Stabilization funds that were reported in a special fund. The budget was also revised to reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the actual federal revenue received and expenditures incurred in the Budget Stabilization Fund.
- Budgeted amounts for support services expenditures in the General Fund were increased during the fiscal year. Amounts originally budgeted were understated.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funds were revised during the fiscal year to reflect actual revenue received and expenditures incurred during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$8,273,040, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$213,223 from 2010. Total accumulated depreciation as of June 30, 2011 was \$3,050,061, and total depreciation expense for the year was \$193,019, resulting in total net capital assets of \$5,222,979.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 76,983	76,983	0.00%
Construction in progress	79,161	0	
Buildings	4,648,939	4,765,945	-2.46%
Mobile equipment	339,691	235,920	43.99%
Furniture and equipment	78,205	102,233	-23.50%
Total	<u>\$ 5,222,979</u>	<u>5,181,081</u>	0.81%

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

**BENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Debt Administration. At June 30, 2011, the District had \$2,526,157 in outstanding long-term debt of which \$ 93,247 is due within one year. During the fiscal year, the District made principal payments in the amount of \$87,972 on existing long-term debt. The liability for compensated absences increased \$2,959 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Qualified zone academy bonds payable	700,000	700,000	0.00%
Qualified school construction bonds payable	1,075,000	0	
Three mill notes payable	562,000	644,000	-12.73%
Shortfall notes payable	98,882	144,854	-31.74%
Compensated absences payable	90,275	87,316	3.39%
Total	<u>\$ 2,526,157</u>	<u>1,576,170</u>	60.27%

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Benton County School District, P.O. 80x 247, Ashland, M5 38603.

BENTON COUNTY SCHOOL DISTRICT

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BENTON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Benton County School District
Statement of Net Assets
June 30, 2011

Exhibit A

Assets	Governmental Activities
Cash and cash equivalents	\$ 2,696,476
Due from other governments	300,034
Other receivables, net	45,604
Inventories	9,042
Restricted assets	707,310
Deferred charges	20,040
Land	76,983
Construction in progress	79,161
Capital assets, net of accumulated depreciation:	
Buildings	4,648,939
Mobile equipment	339,691
Furniture and equipment	78,205
Total Assets	<u>9,001,485</u>
 Liabilities	
Accounts payable and accrued liabilities	95,578
Interest payable on long-term liabilities	10,212
Long-term liabilities, due within one year:	
Capital related liabilities	45,000
Non-capital related liabilities	48,247
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,292,000
Non-capital related liabilities	140,910
 Total Liabilities	<u>2,631,947</u>
 Net Assets	
Invested in capital assets, net of related debt	2,885,979
Restricted for:	
Expendable:	
School based activities	9,042
Debt service	785,503
Capital improvements	982,273
Unemployment benefits	34,917
Unrestricted	1,671,824
 Total Net Assets	<u>\$ 6,369,538</u>

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

Benton County School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					Governmental Activities Total
Instruction	\$ 5,774,792	192,104	1,640,012		(3,942,676)
Support services	4,134,943		628,263		(3,506,680)
Noninstructional services	746,894	56,773	700,519		10,398
Interest on long-term liabilities	42,342				(42,342)
Total governmental activities	\$ 10,698,971	248,877	2,968,794		(7,481,300)
General Revenues:					
Taxes:					
Property taxes - general purposes levies				\$ 1,406,967	
Debt purpose levies				130,586	
Unrestricted grants and contributions:					
State				5,690,059	
Federal				443,485	
Unrestricted investment earnings				123,975	
Other				119,089	
Total General Revenues				7,914,161	
Change in Net Assets					432,861
Net Assets - Beginning					5,936,677
Net Assets - Ending				\$ 6,369,538	

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

Benton County School District
 Balance Sheet - Governmental Funds
 June 30, 2011

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I Basic Fund	EHA Special Education Fund	Capital Projects Fund	QZAB Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 1,327,823			1,006,970		361,683	2,696,476
Cash with fiscal agents					130,316		130,316
Investments					576,994		576,994
Due from other governments	77,281	91,085	31,484			100,184	300,034
Due from other funds	209,652						209,652
Other receivables	45,604						45,604
Inventories						9,042	9,042
Total Assets	1,660,350	91,085	31,484	1,006,970	707,310	470,909	3,968,118
LIABILITIES & FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	58,242		550	24,697		12,089	95,578
Due to other funds		91,085	30,934			87,633	209,652
Total Liabilities	58,242	91,085	31,484	24,697	0	99,722	305,230
Fund Balances:							
Nonspendable:							
Inventories						9,042	9,042
Restricted:							
Debt service					707,310	88,405	795,715
Capital projects				982,273			982,273
Unemployment benefits						34,917	34,917
Committed:							
Other Commitments - program operations						238,823	238,823
Unassigned:	1,602,118						1,602,118
Total Fund Balances	1,602,118	0	0	982,273	707,310	371,187	3,662,888
Total Liabilities and Fund Balances	\$ 1,660,350	91,085	31,484	1,006,970	707,310	470,909	3,968,118

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

**Benton County School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2011**

Exhibit C-1

		<u>Amount</u>
Total fund balances - governmental funds	\$	3,662,888

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Land	\$	76,983	
Construction in progress		79,161	
Buildings		6,307,642	
Mobile equipment		1,397,109	
Furniture and equipment		412,145	
Accumulated depreciation		<u>(3,050,061)</u>	5,222,979

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

Qualified Zone Academy Bonds	\$	(700,000)	
Qualified School Construction Bonds		(1,075,000)	
Three Mill Note Payable		(562,000)	
Shortfall Note Payable		(98,882)	
Compensated absences		(90,275)	
Accrued interest payable		<u>(10,212)</u>	(2,536,369)

3. Governmental funds report the effect of bond issuance cost when the debt is first issued, whereas, this amount is deferred and amortized in the Statement of Activities.

20,040

Net Assets of Governmental Activities

\$ 6,369,538

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

Benton County School District
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds
For the Year Ended June 30, 2011

Exhibit D

	Major Funds					Other	Total
	General Fund	Title I Basic Fund	EHA Special Education Fund	Capital Projects Fund	QZAB Fund	Governmental Funds	Governmental Funds
REVENUES							
Local sources	\$ 1,625,048			6,474	89,236	189,647	1,910,405
State sources	5,582,311					526,111	6,108,422
Federal sources	264,265	632,750	278,792			1,684,372	3,060,179
Total Revenues	7,471,624	632,750	278,792	6,474	89,236	2,600,130	11,079,006
EXPENDITURES							
Instruction	3,571,045	483,010	176,539			1,516,196	5,746,790
Support services	3,473,917	122,003	97,445			433,577	4,126,942
Noninstructional services		27,737				715,157	742,894
Facilities acquisition and construction				99,201			99,201
Debt Service:							
Principal						87,972	87,972
Interest						38,699	38,699
Total Expenditures	7,044,962	632,750	273,984	99,201	0	2,791,601	10,842,498
Excess (Deficiency) of Revenues over (Under) Expenditures	426,662	0	4,808	(32,727)	89,236	(191,471)	236,508
OTHER FINANCING SOURCES (USES)							
Proceeds of general obligation bonds				1,075,000			1,075,000
Insurance loss recoveries	18,601						18,601
Transfers in	9,793					218,622	228,415
Transfers out	(218,622)		(4,808)			(4,985)	(228,415)
Other financing sources					76,994		76,994
Other financing uses						(41,525)	(41,525)
Total Other Financing Sources (Uses)	(190,228)	0	(4,808)	1,075,000	76,994	172,112	1,129,070
Net Change in Fund Balances	236,434	0	0	982,273	166,230	(19,359)	1,365,578
Fund Balances:							
July 1, 2010	1,365,684	0	0	0	541,080	391,571	2,298,335
Increase (decrease) in reserve for inventory						(1,025)	(1,025)
June 30, 2011	\$ 1,602,118	0	0	982,273	707,310	371,187	3,662,888

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

Benton County School District
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ 1,365,578

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

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

Capital outlay	\$ 235,136	
Depreciation expense	<u>(193,019)</u>	42,117

2. In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of assets sold. (219)
3. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities for governmental activities. (1,075,000)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets. 87,972
5. Governmental funds report the effect of bond issuance costs when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities:

Deferred charges on bond issuance costs		20,040
---	--	--------
6. Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/ expenditures in governmental funds, These activities include:

Change in accrued interest payable	(3,643)	
Change in compensated absences	(2,959)	
Change in inventory reserve	<u>(1,025)</u>	(7,627)

Change in net assets of governmental activities	\$ <u>432,861</u>
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The notes to the financial statements are an integral part of this statement.

Benton County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 496,668
Total Assets	<u>496,668</u>
Liabilities	
Accounts payable and accrued liabilities	476,299
Due to student clubs	20,369
Total Liabilities	<u>\$ 496,668</u>

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

BENTON COUNTY SCHOOL DISTRICT

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**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies.

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clear fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a 5 member board to which each member was elected by the citizens of each defined county district.

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

C. Government-wide and Fund Financial Statements

Government - Wide Financial Statements :

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

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Fund Financial Statements :

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

EHA Special Education Fund - This fund accounts for the resources related to the education of children with disabilities.

Capital Projects Fund - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

QZAB Fund - This is a debt service fund that accounts for annual deposits to be paid to the Qualified Zone Academy Bond Debt.

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

The fiduciary funds also include (8) agency funds which are used to report resources held by the District in a purely custodial capacity.

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 that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

FIDUCIARY FUNDS

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

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

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

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

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

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

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

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

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

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

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

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

Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

E. Encumbrances.

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

2. Receivables and payables.

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

3. Due from Other Governments.

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

4. Inventories and prepaid items.

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

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

5. Restricted Assets.

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

6. Capital Assets.

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

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

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

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

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

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

7. Compensated Absences.

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

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

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

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

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

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

9. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the District.

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or a principal balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board.

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

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

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

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

(2) Cash, Cash Equivalents and Cash With Fiscal Agents

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,696,476 and \$496,668, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2011, none of the District's bank balance of \$3,769,583, was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the district's cash with fiscal agents held by financial institutions was \$130,316.

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

Investments.

As of June 30, 2011, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Federal National Mortgage Association	AA	Less than 1 year	\$576,994
Total investments			<u>\$576,994</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments, \$576,944 of the underlying securities are held by the investment's counterparty, not in the name of the district.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investment</u>
Federal National Mortgage Association	\$ 576,994	100%
Total investment	<u>\$ 576,994</u>	

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

(3) Inter-fund Receivables, Payables and Transfers

The following is a summary of interfund transactions and balances.

A. Due From / To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 91,085
	EHA Special Education Fund	30,934
	Other Governmental Funds	87,633
Total		<u>\$ 209,652</u>

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 218,622
EHA Special Education Fund	General Fund	4,808
Other Governmental Funds	General Fund	4,985
Total		<u>\$ 228,415</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

(4) Restricted Assets

The restricted assets represent the cash with fiscal agents balance and the investment balance totaling \$130,316 and \$576,994, respectively, of the QZAB Bond Retirement Fund, which is legally restricted and may not be used for purposes that support the district's programs.

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

(5) **Capital Assets.**

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

	Balance 7-1-2010	Increases	Decreases	Balance 6-30-2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 76,983			76,983
Construction in progress	0	79,161		79,161
Total non-depreciable capital assets	<u>76,983</u>	<u>79,161</u>		<u>156,144</u>
<u>Depreciable Capital Assets</u>				
Buildings	\$ 6,307,642			6,307,642
Mobile equipment	1,241,134	155,975		1,397,109
Furniture and equipment	434,058		21,913	412,145
Total depreciable capital Assets	<u>7,982,834</u>	<u>155,975</u>	<u>21,913</u>	<u>8,116,896</u>
<u>Less accumulated depreciation:</u>				
Buildings	1,541,697	117,006		1,658,703
Mobile equipment	1,005,214	52,204		1,057,418
Furniture & equipment	331,825	23,809	21,694	333,940
Total accumulated depreciation	<u>2,878,736</u>	<u>193,019</u>	<u>21,694</u>	<u>3,050,061</u>
Total depreciable capital assets, net	<u>5,104,098</u>	<u>(37,044)</u>	<u>219</u>	<u>5,066,835</u>
Governmental activities capital assets, net	<u>\$ 5,181,081</u>	<u>42,117</u>	<u>219</u>	<u>5,222,979</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 135,113
Support services	38,604
Non-instructional services	19,302
Total depreciation expense - Governmental activities	<u>\$ 193,019</u>

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Hickory Flat Roofing & Renovation	\$ 33,247	\$ 403,753
Ashland Elementary Roofing & Renovation	42,914	566,486
Total governmental activities	\$ 76,161	\$ 970,239

Construction projects included in governmental activities are funded with Qualified School Construction Bonds.

(6) Long - term liabilities.

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

	Balance 07-01-2010	Additions	Reductions	Balance 06-30-2011	Amount due within one Year
A. Qualified zone academy bonds payable	700,000			700,000	
B. Qualified school construction bonds payable	0	1,075,000		1,075,000	
C. Three mill note payable	604,000		42,000	562,000	45,000
D. Shortfall note payable	144,854		45,972	98,882	48,247
E. Compensated absences payable	87,316	2,959		90,275	
Total	1,536,170	1,077,959	87,972	2,526,157	93,247

A. Qualified Zone Academy Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2000	0%	07-01-00	07-01-12	700,000	700,000
Total				\$ 700,000	700,000

This debt will be retired from the QZAB debt retirement fund.

**Benton County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

B. Qualified School Construction Bonds Payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds, Series 2010	0%	12-17-2010	12-17-2026	1,075,000	1,075,000
Total				\$ 1,075,000	1,075,000

C. Three Mill Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2001	5.22%	04-15-2001	04-17-2021	900,000	562,000
Total				\$ 900,000	562,000

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

Year ending June 30	Principal	Interest	Total
2012	\$ 45,000	29,336	74,336
2013	47,000	26,988	73,988
2014	49,000	24,534	73,534
2015	52,000	21,976	73,976
2016	55,000	19,262	74,262
2017-2021	314,000	50,686	364,686
Total	\$ 562,000	172,782	734,782

This debt will be retired from the Three Mill Note Retirement fund.

**Benton County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

D. Shortfall notes payable

Debt currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable	4.95%	08-28-2009	08-28-2012	144,854	98,882
Total				\$ 144,854	98,882

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

Year ending June 30	Principal	Interest	Total
2012	\$ 48,247	4,895	53,142
2013	50,635	2,506	53,141
Total	\$ 98,882	7,401	106,283

E. Compensated absences payable

As more fully explained in Note 1(f)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-305(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund which the employees' salaries were paid.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employee's 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.

Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% 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 contribution to PERS for the fiscal years ending June 30, 2011, 2010, and 2009 were \$ 623,442 , \$ 680,208 and \$ 669,482 , respectively, which equaled the required contributions for each year.

(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. Except as described below, the District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Worker's 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 72 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Worker's Compensation Commission requires that an indemnity be executed by each member in a worker's compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Organ. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The District has not had an additions assessment for excess losses incurred by the pool.

(9) Qualified Zone Academy Bonds

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 school 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 FEL-PRO, Webster's Supermarket, Farese Law Office and Ashland Middle School staff has entered into such an arrangement dated June 30, 2000.

TCI Fel-Pro will make an annual donation of \$1,000 per year for a total of \$5,000, plus the industry will provide labor for school work days, mentoring and field trips to the industry for a total of \$13,850 in labor. TCI Fel-Pro total contribution will be \$18, 850.

Webster's Supermarket will make an annual donation of \$500 per year for a total of \$2,500. Additionally, they will provide \$210 per year of merchandise for fund raisers and motivational purposes for a total of \$1,050. Webster's Supermarket total contribution will be \$3,550.

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

Farese Law Office will provide an attorney to teach a class during career discovery time for Ashland Middle School students for a total of \$18,000.

Ashland Middle School staff will donate seven hours of time each (after school and weekends) to work as school mentors for students or other activities as needed for a contribution of \$21,120.

Benton County Superintendent's office staff will donate four hours of time per staff person to tutor students at Ashland Middle School for a total contribution of \$9,275.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The \$41,000 were shown on Exhibit D as part to the other financing sources in the QZAB Fund.

The money came from Fund 2410 - EEF Building and Buses. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending <u>June 30</u>	<u>Amount</u>
2012	\$ 41,000
2013	41,000
Total	<u>\$ 82,000</u>

(10) Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows the state and local governments to borrow without incurring interest costs.

The school district makes equal payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending <u>June 30</u>	<u>Amount</u>
2012	\$ 10,000
2013	10,000
2014	48,000
2015	48,000
2016	48,000
2017-2021	246,000
2022-2026	665,000
Total	<u>\$ 1,075,000</u>

**Benton County School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

(11) Contingencies

Federal Grants. - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. As of June 30, 2011, the single audit performed on these federal grants disclosed a material instance of noncompliance, as reported in the Schedule of Findings and Questioned Costs. Any disallowance by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

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

BENTON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Benton County School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2011

	Budget Original	Amounts Final	Actual GAAP Basis	Variances	
				Positive (Negative) Original to Final	Final to Actual
REVENUES					
Local sources	\$ 1,636,796	1,625,048	1,625,048	(11,748)	0
State sources	5,753,791	5,582,311	5,582,311	(171,480)	0
Federal sources	223,935	264,265	264,265	40,330	0
Total revenues	<u>7,614,522</u>	<u>7,471,624</u>	<u>7,471,624</u>	<u>(142,898)</u>	<u>0</u>
EXPENDITURES					
Instruction	3,893,906	3,571,045	3,571,045	322,861	0
Support services	3,298,276	3,473,917	3,473,917	(175,641)	0
Total expenditures	<u>7,192,182</u>	<u>7,044,962</u>	<u>7,044,962</u>	<u>147,220</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>422,340</u>	<u>426,662</u>	<u>426,662</u>	<u>4,322</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries		18,601	18,601	18,601	0
Operating transfers in	953,858	9,793	9,793	(944,065)	0
Operating transfers out	(1,373,403)	(218,622)	(218,622)	1,154,781	0
Total other financing sources and uses	<u>(419,545)</u>	<u>(190,228)</u>	<u>(190,228)</u>	<u>229,317</u>	<u>0</u>
Net change in fund balances	<u>2,795</u>	<u>236,434</u>	<u>236,434</u>	<u>233,639</u>	<u>0</u>
Fund balances:					
July 1, 2010	<u>1,365,684</u>	<u>1,365,684</u>	<u>1,365,684</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 1,368,479</u>	<u>1,602,118</u>	<u>1,602,118</u>	<u>233,639</u>	<u>0</u>

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

**Benton County School District
 Budgetary Comparison Schedule for the Title I Basic Fund
 For the Year Ended June 30, 2011**

	Budget		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Amounts Final		Original to Final	Final to Actual
REVENUES					
Federal sources	\$ 539,183	632,750	632,750	93,567	0
Total revenues	<u>539,183</u>	<u>632,750</u>	<u>632,750</u>	<u>93,567</u>	<u>0</u>
EXPENDITURES					
Instruction	358,300	483,010	483,010	(124,710)	0
Support services	207,375	122,003	122,003	85,372	0
Noninstructional services	4,566	27,737	27,737	(23,171)	0
Total expenditures	<u>570,241</u>	<u>632,750</u>	<u>632,750</u>	<u>(62,509)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(31,058)</u>	<u>0</u>	<u>0</u>	<u>31,058</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)					
Total financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>(31,058)</u>	<u>0</u>	<u>0</u>	<u>31,058</u>	
Fund balances:					
July 1, 2010	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
June 30, 2011	<u><u>\$ (31,058)</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>31,058</u></u>	<u><u>0</u></u>

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

**Benton County School District
 Budgetary Comparison Schedule for the EHA Special Education Fund
 For the Year Ended June 30, 2011**

	Budget		Actual GAAP Basis	Variances	
	Original	Amounts Final		Positive Original to Final	(Negative) Final to Actual
REVENUES					
Federal sources	\$ 293,762	278,792	278,792	(14,970)	0
Total revenues	<u>293,762</u>	<u>278,792</u>	<u>278,792</u>	<u>(14,970)</u>	<u>0</u>
EXPENDITURES					
Instruction	189,940	176,539	176,539		
Support services	103,822	97,445	97,445	6,377	
Total expenditures	<u>293,762</u>	<u>273,984</u>	<u>273,984</u>	<u>19,778</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>4,808</u>	<u>4,808</u>	<u>4,808</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)					
Transfer out	0	(4,808)	(4,808)	(4,808)	0
Total financing sources (uses)	<u>0</u>	<u>(4,808)</u>	<u>(4,808)</u>	<u>(4,808)</u>	<u>0</u>
Net change in fund balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:					
July 1, 2010,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

**Benton County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2011**

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.

BENTON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

**Benton County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Schedule 1

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education		
Child Nutrition Cluster:		
National School Lunch Program	10.555	\$ 512,741
National School Breakfast Program	10.553	195,601
Total Child Nutrition Cluster		708,342
Fresh Fruits and Vegetable Program	10.582	12,371
Cooperative Forestry Assistance	10.664	140,837
Total U.S. Department of Agriculture Pass-Through Programs		861,550
Federal Communications Commission		
Direct Program:		
Administered Through the Universal Service Administrative Company		
Communications Information and Assistance and Investigation of Complaints	32.001	74,307
Total Federal Communications Commission		74,307
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I, Part A Cluster		
Title I - Grants to Local Educational Agencies	84.010	722,889
ARRA - Title I - Grants to Local Educational Agencies Recovery Act	84.389	103,736
Total Title I, Part A Cluster		826,625
Special Education Cluster (IDEA):		
Special Education Grants to States	84.027	278,242
Special Education Preschool Grants	84.173	5,473
ARRA - Special Education Grants to States, Recovery Act	84.391	159,946
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	8,431
Total Special Education Cluster (IDEA)		452,092
Education Technology State Grants Cluster		
ARRA - Education Technology State Grants, Recovery Act	84.386	1,484
Educational Technology State Grants	84.318	4119
Total Education Technology Grants Cluster		5,603
Total Department of Education - Other Programs		
Career and Technical Education - Basic Grant to States	84.048	25,572
Safe and Drug-Free Schools and Communities - State Grants	84.186	5,460

**Benton County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Schedule 1
Page 2

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Twenty-First Century Community Learning Centers	84.287	5,914
Rural Education	84.358	29,435
Improving Teacher Quality State Grants	84.367	108,611
School Improvements Grants	84.377	11,809
ARRA-State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	348,904
Education Jobs Fund	84.410	<u>260,540</u>
Total Other Programs		<u>796,245</u>
Total Department of Education Pass-Through Programs		<u><u>2,080,565</u></u>
 <u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Medical Assistance Program	93.778	20,274
Total U.S. Department of Health and Human Services - Direct Program		<u><u>20,274</u></u>
Total Expenditures of Federal Awards		\$ <u><u>3,036,696</u></u>

Notes to Schedule

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

Benton County School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011

Schedule 2

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,836,397	5,571,116	528,287	693,216	1,043,778
Other	<u>3,006,101</u>	<u>923,994</u>	<u>214,861</u>	<u>11,268</u>	<u>1,855,978</u>
Total	\$ <u>10,842,498</u>	<u>6,495,110</u>	<u>743,148</u>	<u>704,484</u>	<u>2,899,756</u>
Total number of students	1,287				
Cost per student	\$ <u>8,425</u>	<u>5,047</u>	<u>577</u>	<u>547</u>	<u>2,253</u>

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

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

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

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

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

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

BENTON COUNTY SCHOOL DISTRICT

OTHER INFORMATION

Benton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund - Last Four Years

	2011	2010*	2009*	Unaudited 2008*
Revenues:				
Local sources	\$ 1,625,048	1,547,752	1,595,610	1,577,982
State sources	5,582,311	6,169,751	6,424,960	6,648,441
Federal sources	264,265	240,921	332,691	208,986
Total Revenue	7,471,624	7,958,424	8,353,261	8,435,409
Expenditures:				
Instruction	3,571,045	4,143,569	4,619,334	5,083,334
Support services	3,473,917	3,295,242	2,875,613	3,364,432
Debt service:				
Principal				10,838
Interest				481
Total Expenditures	7,044,962	7,438,811	7,494,947	8,459,085
Excess (deficiency) of revenues over expenditures	426,662	519,613	858,314	(23,676)
Other Financing Sources (Uses)				
Proceeds of loans		144,854		
Insurance loss recoveries	18,601	983	14,020	
Operating transfers in	9,793	5,302	55,885	404,554
Operating transfers out	(218,622)	(412,354)	(262,654)	(469,530)
Total Other Financing Sources (Uses)	(190,228)	(261,215)	(192,749)	(64,976)
Net Change in Fund Balances	236,434	258,398	665,565	(88,652)
Fund Balance:				
July 1, as originally reported	1,365,684	1,107,286	441,721	503,422
Prior period adjustments				26,951
July 1, as restated	1,365,684	1,107,286	441,721	530,373
June 30,	\$ 1,602,118	1,365,684	1,107,286	441,721

* SOURCE - PRIOR YEAR AUDIT REPORTS

Benton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds - Last Four Years

	<u>Unaudited</u>			
	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
Revenues:				
Local sources	\$ 1,910,405	1,816,958	1,737,881	1,748,919
State sources	6,108,422	6,398,782	6,847,036	6,894,481
Federal sources	3,060,179	2,998,005	2,248,530	1,820,570
Total Revenue	<u>11,079,006</u>	<u>11,213,745</u>	<u>10,833,447</u>	<u>10,463,970</u>
Expenditures:				
Instruction	5,746,790	5,862,134	5,782,075	6,260,327
Support services	4,126,942	4,130,678	3,629,227	3,798,870
Noninstructional services	742,894	833,232	662,376	646,768
Facilities acquisition and construction	99,201			72,863
Debt service:				
Principal	87,972	40,000	38,000	72,489
Interest	38,699	33,617	35,600	39,248
Other		525		
Total Expenditures	<u>10,842,498</u>	<u>10,900,186</u>	<u>10,147,278</u>	<u>10,890,565</u>
Excess (deficiency) of revenues over expenditures	<u>236,508</u>	<u>313,559</u>	<u>686,169</u>	<u>(426,595)</u>
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	1,075,000			
Proceeds of loans		144,854		
Insurance loss recoveries	18,601	983	14,020	
Transfers in	228,415	420,262	333,976	886,180
Transfers out	(228,415)	(420,262)	(333,976)	(886,180)
Other financing sources	76,994	41,525	66,878	41,000
Other financing uses	(41,525)	(41,525)	(41,525)	(41,525)
Total Other Financing Sources (Uses)	<u>1,129,070</u>	<u>145,837</u>	<u>39,373</u>	<u>(525)</u>
Net Change in Fund Balances	<u>1,365,578</u>	<u>459,396</u>	<u>725,542</u>	<u>(427,120)</u>
Fund Balance:				
July 1, as originally reported	2,298,335	1,836,132	1,114,447	1,513,849
Prior period adjustments				26,951
July 1, as restated	<u>2,298,335</u>	<u>1,836,132</u>	<u>1,114,447</u>	<u>1,540,800</u>
Increase (decrease) in reserve for inventory	(1,025)	2,807	(3,857)	767
June 30,	<u>\$ 3,662,888</u>	<u>2,298,335</u>	<u>1,836,132</u>	<u>1,114,447</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

BENTON COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

BRIDGERS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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Vicksburg, MS 39180-5693

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DAVID I. BRIDGERS, JR., CPA

MEMBERS OF
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**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
Benton County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benton County School District as of and for the year ended June 30, 2011, which collectively comprise the Benton County School District's financial statements and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Benton County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Benton County 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 Benton County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Benton County School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we considered to be significant deficiencies in internal control over financial reporting. (Finding 2011-1 and Finding 2011-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Benton County School District's responses to the findings in our audit are described in the Auditee's Corrective Action Plan. We did not audit Benton County School District's responses and, accordingly, we express no opinion on them.

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

Bridgers & Company, P.C.

Bridgers & Company, P.C.

Vicksburg, Mississippi

December 27, 2011

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

Superintendent and School Board
Benton County School District

Compliance

We have audited the compliance of the Benton County 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Benton County School District's major federal programs are identified in the summary of auditors results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major 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 Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the Benton County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-3.

Internal Control Over Compliance

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

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

Benton County School District's responses to the findings in our audit are described in the Auditee's Corrective Action Plan. We did not audit Benton County School District's responses and, accordingly, we express no opinion on them.

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

Bridgers & Company, P.C.

Bridgers & Company, P.C.

Vicksburg, Mississippi

December 27, 2011

BENTON COUNTY SCHOOL DISTRICT

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

BRIDGERS & COMPANY, P.C.
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AMERICAN INSTITUTE OF CPA'S

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

Superintendent and School Board
Benton County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Benton County School District as of and for the year ended June 30, 2011, which collectively comprise the Benton County School District's basic financial statements and have issued our report thereon dated December 27, 2011. 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 \$7,574, 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 procedures to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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.

Bridgers & Company, P.C.

Bridgers & Company, P.C.

Vicksburg, Mississippi

December 27, 2011

BENTON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Benton County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section 1: Summary of Auditor's Results

Financial Statements

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

Federal Awards:

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit finding(s) reported as required by Section ____, 510 of Circular A-133? | Yes |
| 7. Federal programs identified as major programs: | |
| a. State Fiscal Stabilization Fund (SFSF) - Education
State Grants, Recovery Act
CFDA #84.394 | |
| b. Cooperative Forestry Assistance
CFDA #10.664 | |
| c. Title I, Part A Cluster:
CFDA # 84.010
CFDA # 84.389 | |
| d. Special Education Cluster (IDEA)
CFDA # 84.027
CFDA # 84.173
CFDA # 84.391
CFDA # 84.392 | |
| 8. The dollar threshold to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Significant Deficiencies Not Considered to be Material Weaknesses:

Finding 2011-1

An effective system of internal controls over the school district's payroll includes a proper segregation of duties. During the course of our audit, we noted that the payroll clerk performs all functions relating to payroll check preparations from the initial data entry into the EDP master file to the creation and distribution of the payroll checks. Without a proper segregation of duties, the likelihood of unauthorized or inaccurate payroll checks being produced without detection, increases.

Recommendation

Management should install a system of internal control over the payroll function that would allow for an adequate separation of duties between accessing the employee master file, check preparation and check distribution.

Finding 2011-2

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and reporting of all funds. During the course of our audit, we noted 2 instances in the amount of \$3,168, where purchase documents were not properly prepared and approved prior the purchase of goods and services. Inadequate internal controls surrounding the expenditure and disbursement cycle could result in misappropriation or loss of assets.

Recommendation

Management should implement internal controls to require all purchase orders to be issued and approved prior to ordering of the goods.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding related to the federal awards.

Program: Title I
CFDA # 84.010
Grantor: United States Department of Education
Passed through the Mississippi Department of Education

Program: Title I ARRA
CFDA # 84.389
Grantor: United States Department of Education
Passed through the Mississippi Department of Education

Compliance Requirement: Allowable Cost

Finding 2011-3

Management is responsible for establishing a proper system of internal control to ensure adequate accountability and accurate reporting of all federal funds. During the course of our audit, we noted 14 instances in the amount of \$4,599, where purchase documents

were not prepared and approved prior to the purchase of goods and services. Inadequate internal controls surrounding the expenditure and disbursement cycle could result in misappropriation or loss of assets.

Recommendation

Management should implement internal controls to require all federal purchase orders be issued and approved prior to ordering of the goods.

AUDITEE'S CORRECTIVE ACTION PLAN

Benton County School District
P.O. Box 147
Ashland, MS 38603

Patrick Washington - Superintendent
Mark Ehrie - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Benton County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2011.

Finding

- | | |
|--------|--|
| 2011-1 | <p>a. Name of Contact Person Responsible for Corrective Action:</p> <p style="margin-left: 40px;">Name: Mark Ehrie
Title: Business Manager
Phone Number: 662-224-6252</p> <p>b. Corrective Action Planned:</p> <p style="margin-left: 40px;">The District will work to revise the internal control system relating to payroll processing to provide for adequate segregation of duties.</p> <p>c. Anticipated Completion Date: June 30, 2012</p> |
| 2011-2 | <p>a. Name of Contact Person Responsible for Corrective Action:</p> <p style="margin-left: 40px;">Name: Mark Ehrie
Title: Business Manager
Phone Number: 662-224-6252</p> <p>b. Corrective Action Planned:</p> <p style="margin-left: 40px;">The District will implement internal controls to require all purchase requisitions and purchase orders to be prepared and approved prior to ordering the goods.</p> <p>c. Anticipated Completion Date: June 30, 2012</p> |

2011-3

a. Name of Contact Person Responsible for Corrective Action:

Name: Mark Ehrie
Title: Business Manager.
Phone Number: 662-224-6252

b. Corrective Action Planned

The District will implement internal controls to require all federal purchase requisitions and federal purchase orders to be prepared and approved prior to ordering the goods.

c. Anticipated Completion Date June 30, 2012

BENTON COUNTY SCHOOL DISTRICT
31 Main Street
Post Office Box 247
Ashland, Mississippi 38603

Mr. Patrick Washington - Superintendent

Manager

Mark Ehrie - Business

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended June 30, 2011

Bridgers & Company, P.C.
3528 Manor Dr.
Vicksburg, Mississippi

Gentlemen:

The Benton County School District respectfully submits the following summary schedule of prior audit findings relative to federal awards.

UNITED STATES DEPARTMENT OF EDUCATION

FINDING 2010-3:

Title I - Grants to Local Educational Agencies, CFDA No. 84.010, Passed through the Mississippi Department of Education

Title I - Grants to Local Educational Agencies, Recovery Act, CFDA 84.389, Passed through the Mississippi Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Condition:

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and reporting of all federal funds. During the course of our audit, we noted 6 instances of purchase orders in the amount of \$47,720 that had not been federally approved. As a result, the District ordered equipment and services before obtaining an approved purchase order and paid for items without the proper documentation substantiating the goods and services were received. Inadequate internal controls surrounding the expenditure and disbursements cycle could result in misappropriation or loss of assets.

Recommendation:

Management should implement internal controls to require all federal purchase orders be issued and approved prior to ordering of the goods.

Current Status:

"Corrective action was taken."

BENTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Page 2

FINDING 2010-4:

Title I - Grants to Local Educational Agencies, CFDA No. 84.010, Passed through the Mississippi Department of Education

Title I - Grants to Local Educational Agencies, Recovery Act, CFDA 84.389, Passed through the Mississippi Department of Education

Compliance Requirement: Level of Effort - Maintenance of Effort (MOE)

Condition:

As prescribed in section 9251 of ESEA, a local educational agency (LEA) may receive its full allocation only if the Maintenance of Effort (MOE) requirement is met. If an LEA fails to meet the MOE requirement, the SEA must reduce the amount of funds allocated under the programs covered by the MOE requirement in any fiscal year in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of either the combined fiscal effort per student or aggregate expenditures. During the course of our audit, we noticed that the District was notified on November 2010 that the fiscal year 2011 allocations were decreased because of prior year's Maintenance of Effort not being met based on the 08-09 and 07-08 aggregate expenditures.

Recommendation:

Management should implement specific internal controls to make sure the MOE requirement is met, so allocations for ESEA programs will not be reduced.

Current Status:

"Corrective action was taken."

Sincerely yours,

Mark Ehrie
Business Manager
Phone: (662) 224-6252