

**BENTON SCHOOL DISTRICT NO. 8**  
**Benton, Arkansas**

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**REGULATORY BASIS FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2019**

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Michael L. Cobb

Anne Suskie Pinyan

## Independent Auditors' Report

The Board of Education  
Benton School District No. 8  
Benton, Arkansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of Benton School District No. 8 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Benton School District No. 8's regulatory basis financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413 (c) as provided in Act 2201 of 2005 as described in Note 1, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statements are prepared by Benton School District No. 8, on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413 (c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton School District No. 8, as of June 30, 2019, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of Benton School District No. 8 as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the regulatory basis of accounting described in Note 1.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton School District No. 8's regulatory basis financial statements. The schedules of capital assets, billable units, and expenditures of state awards are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the regulatory basis financial statements.

The schedules of capital assets, billable units, and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of capital assets, billable units, and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020, on our consideration of Benton School District No. 8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benton School District No. 8's internal control over financial reporting and compliance.

*Cobb and Suskie, Ltd*

Certified Public Accountants  
March 25, 2020

BENTON SCHOOL DISTRICT NO. 8  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2019

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Other Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash	\$ 11,135,775	\$ 477,683	\$ 16,341,624
Funds with Escrow Agent	-	-	3,626,889
Accounts Receivable	<u>1,278</u>	<u>417,149</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,137,053</u></b>	<b><u>\$ 894,832</u></b>	<b><u>\$ 19,968,513</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 171,022	\$ 9,656	\$ -
Governmental Payable	-	-	-
Due to Student Groups	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>171,022</u>	<u>9,656</u>	<u>-</u>
Fund Balances:			
Unreserved	10,966,031	-	-
Reserved	<u>-</u>	<u>885,176</u>	<u>19,968,513</u>
Total Fund Balances	<u>10,966,031</u>	<u>885,176</u>	<u>19,968,513</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 11,137,053</u></b>	<b><u>\$ 894,832</u></b>	<b><u>\$ 19,968,513</u></b>

The accompanying notes are an integral part of these financial statements.

Total Governmental <u>Funds</u>	Fiduciary Fund <u>Types</u>
\$ 27,955,082	\$ 76,115
3,626,889	-
<u>418,427</u>	<u>-</u>
<u>\$ 32,000,398</u>	<u>\$ 76,115</u>
\$ 180,678	\$ -
-	-
<u>-</u>	<u>76,115</u>
<u>180,678</u>	<u>76,115</u>
10,966,031	-
20,853,689	-
<u>31,819,720</u>	<u>-</u>
<u>\$ 32,000,398</u>	<u>\$ 76,115</u>

BENTON SCHOOL DISTRICT NO. 8  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Local Property Taxes	\$ 19,468,252	\$ -	\$ -	\$ 19,468,252
State Sources	28,917,695	14,500	768,663	29,700,858
Federal Sources	-	3,910,910	-	3,910,910
Food Services	-	647,870	-	647,870
Other Sources	31,585	8,500	-	40,085
Student Activities	1,347,749	-	-	1,347,749
Interest	346,858	-	148,682	495,540
Total Revenues	<u>50,112,139</u>	<u>4,581,780</u>	<u>917,345</u>	<u>55,611,264</u>
<b>EXPENDITURES:</b>				
<u>Instruction</u>				
Regular Instruction	17,920,221	137,421	4,988	18,062,630
Special Instruction	2,240,686	1,119,387	-	3,360,073
Vocational Instruction	1,434,606	28,911	-	1,463,517
Compensatory Instruction	15,956	310,752	-	326,708
Other Instruction	1,098,666	7,383	-	1,106,049
Total Instruction	<u>22,710,135</u>	<u>1,603,854</u>	<u>4,988</u>	<u>24,318,977</u>
<u>Support Services</u>				
Student Support Services	1,974,308	132,041	-	2,106,349
Instructional Support Services	2,263,196	491,838	-	2,755,034
General Administration Services	978,022	15,727	-	993,749
School Administration Services	2,240,491	-	-	2,240,491
Business Support Services	1,682,679	9,930	-	1,692,609
Other Support Services	58,809	-	-	58,809
Operations and Maintenance	3,968,883	-	-	3,968,883
Pupil Transportation Services	1,083,656	1,956	-	1,085,612
Non Program Services	338	-	-	338
Food Services	8,364	2,002,481	-	2,010,845
Community Services	95,346	23,336	-	118,682
Debt Service - Principal	525,159	-	1,655,000	2,180,159
Debt Service - Interest	5,748	-	2,483,181	2,488,929
Activity Expenditures	1,236,991	-	-	1,236,991
Capital Outlays	943,479	59,158	1,679,335	2,681,972
Building Acquisitions	-	-	8,015,285	8,015,285
Total Support Services	<u>17,065,469</u>	<u>2,736,467</u>	<u>13,832,801</u>	<u>33,634,737</u>
Total Expenditures	<u>39,775,604</u>	<u>4,340,321</u>	<u>13,837,789</u>	<u>57,953,714</u>

The accompanying notes are an integral part of these financial statements.

BENTON SCHOOL DISTRICT NO. 8  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Excess of Revenues Over (Under) Expenditures	<u>\$ 10,336,535</u>	<u>\$ 241,459</u>	<u>\$ (12,920,444)</u>	<u>\$ (2,342,450)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	309,933	-	-	309,933
Interest Subsidy Proceeds	-	-	409,186	409,186
Net QSCB Value Change	-	-	153,060	153,060
Transfers In	-	-	7,308,214	7,308,214
Transfers Out	<u>(7,308,214)</u>	<u>-</u>	<u>-</u>	<u>(7,308,214)</u>
Total Other Financing Sources (Uses)	<u>(6,998,281)</u>	<u>-</u>	<u>7,870,460</u>	<u>872,179</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,338,254	241,459	(5,049,984)	(1,470,271)
Fund Balances, Beginning of Year	<u>7,627,777</u>	<u>643,717</u>	<u>25,018,497</u>	<u>33,289,991</u>
Fund Balances, End of Year	<u>\$ 10,966,031</u>	<u>\$ 885,176</u>	<u>\$ 19,968,513</u>	<u>\$ 31,819,720</u>

The accompanying notes are an integral part of these financial statements.

BENTON SCHOOL DISTRICT NO. 8  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL  
AND SPECIAL REVENUE FUNDS- REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND		
	Budget	Actual	Variance
Revenues:			
Property Taxes	\$ 18,500,391	\$ 19,468,252	\$ 967,861
Federal Sources	-	-	-
State Sources	27,172,479	28,917,695	1,745,216
Other Local Sources	-	-	-
Food Services	-	-	-
Other Sources	18,000	31,585	13,585
Student Activities	-	1,347,749	1,347,749
Interest	150,000	346,858	196,858
Total Revenues	<u>45,840,870</u>	<u>50,112,139</u>	<u>4,271,269</u>
Expenditures:			
Instruction:			
Regular Instruction	18,506,571	17,920,221	586,350
Special Instruction	2,391,651	2,240,686	150,965
Vocational Instruction	1,341,814	1,434,606	(92,792)
Compensatory Instruction	15,986	15,956	30
Other Instruction	1,112,816	1,098,666	14,150
Total Instruction	<u>23,368,838</u>	<u>22,710,135</u>	<u>658,703</u>
Support Services:			
Student Support Services	2,002,344	1,974,308	28,036
Instructional Staff Services	2,691,825	2,263,196	428,629
General Administration Services	1,001,250	978,022	23,228
School Administration Services	2,279,843	2,240,491	39,352
Business Support Services	1,627,131	1,682,679	(55,548)
Operations & Maintenance	4,041,328	3,968,883	72,445
Pupil Transportation Services	1,224,367	1,083,656	140,711
Food Services	4,000	8,364	(4,364)
Other Support Services	60,000	58,809	1,191
Community Services	95,189	95,346	(157)
Nonprogram Services	-	338	(338)
Activity Expenditures	-	1,236,991	(1,236,991)
Building Acquisition	-	-	-
Capital Outlay	1,120,399	943,479	176,920
Debt Service	530,322	530,907	(585)
Total Support Services	<u>16,677,998</u>	<u>17,065,469</u>	<u>(387,471)</u>
Total Expenditures	<u>40,046,836</u>	<u>39,775,604</u>	<u>271,232</u>
Excess of Revenues Over (Under) Expenditures	<u>5,794,034</u>	<u>10,336,535</u>	<u>4,542,501</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	-	309,933	309,933
Transfers In	-	-	-
Transfers Out	(7,109,785)	(7,308,214)	(198,429)
Total Other Financing Sources (Uses)	<u>(7,109,785)</u>	<u>(6,998,281)</u>	<u>111,504</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,315,751)	3,338,254	4,654,005
Fund Balance - Beginning of Year	6,613,292	7,627,777	1,014,485
Fund Balance - End of Year	<u>\$ 5,297,541</u>	<u>\$ 10,966,031</u>	<u>\$ 5,668,490</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUND

<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ -	\$ -	\$ -
4,228,395	3,910,910	(317,485)
13,483	14,500	1,017
-	-	-
650,136	647,870	(2,266)
-	8,500	8,500
-	-	-
-	-	-
<u>4,892,014</u>	<u>4,581,780</u>	<u>(310,234)</u>
66,308	137,421	(71,113)
1,095,931	1,119,387	(23,456)
-	28,911	(28,911)
444,020	310,752	133,268
33,621	7,383	26,238
<u>1,639,880</u>	<u>1,603,854</u>	<u>36,026</u>
295,977	132,041	163,936
612,851	491,838	121,013
31,250	15,727	15,523
-	-	-
-	9,930	(9,930)
-	-	-
6,100	1,956	4,144
2,225,740	2,002,481	223,259
-	-	-
35,251	23,336	11,915
10,000	-	10,000
-	-	-
-	-	-
80,948	59,158	21,790
-	-	-
<u>3,298,117</u>	<u>2,736,467</u>	<u>561,650</u>
<u>4,937,997</u>	<u>4,340,321</u>	<u>597,676</u>
<u>(45,983)</u>	<u>241,459</u>	<u>287,442</u>
-	-	-
-	-	-
-	-	-
-	-	-
(45,983)	241,459	287,442
<u>643,717</u>	<u>643,717</u>	<u>-</u>
<u>\$ 597,734</u>	<u>\$ 885,176</u>	<u>\$ 287,442</u>

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a group of seven (7) permanent members, is the level of government which has governing responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Benton School District No. 8 (the District). The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board of Education is not included in any other governmental "reporting entity", since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Only the accounts of the Benton School District No. 8 are included in these statements, and there are no component units that are or should be included in the District's reporting entity.

B. Basis of Presentation

(1) Regulatory Basis of Presentation

The financial statements are prepared in accordance with a regulatory basis of accounting. This basis of accounting is prescribed by Arkansas Code Annotated 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, at a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to the financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

(1) Regulatory Basis of Presentation (Continued)

The regulatory basis of accounting differs from the accounting principles generally accepted in the United States of America (GAAP). GAAP requires that basic financial statements, in addition to presenting entity-wide financial statements, incorporate the following: Management's Discussion and Analysis, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, capital assets, other non-financial assets and long-term liabilities, specific procedures for the identification of major governmental funds and applicable note disclosures. The prescribed regulatory basis does not require these statements and concepts, nor does it generally adhere to or address pronouncements of the Governmental Accounting Standards Board (GASB).

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financial sources and uses.

C. Fund Accounting

Fund accounting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds as prescribed under the regulatory basis:

(1) General Fund

The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Arkansas.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

(2) Special Revenue Fund

The Special Revenue Fund is used to account for specific revenue sources which are designated by law or contractual agreement for specified functions or activities and are legally required to be accounted for in separate funds.

(3) Other Governmental Funds

Other governmental funds consist of the Debt Service Fund and the Capital Projects Fund. The Debt Service Fund is used for accumulation of resources for payment of principal, interest and related costs on general long-term debt. Payments for retirement of principal and interest are remitted to independent fiscal paying agents. The Capital Projects Fund is used to account for financial resources that will be expended for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governments).

(4) Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is made up of agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurements of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

D. Regulatory Basis of Accounting / Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Regulatory Basis of Accounting / Measurement Focus (Continued)

The regulatory basis financial statements are prepared using a current financial resources measurement focus and the modified accrual basis of accounting, with some exception. With the exception of property taxes, revenues are recognized when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

With the exception of property taxes, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. State and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual.

(1) Revenue-Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from the non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, grants, and student fees.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Regulatory Basis of Accounting / Measurement Focus (Continued)

(2) Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, there is no deferred revenue.

(3) Expenses/Expenditures

Expenditures are recorded when the liability is incurred, except for claims, compensated absences, and interest on long-term debt, which are not recorded until paid. Proceeds from issuance of long-term debt are recognized when received and payment of long-term debt principal is reported as an expenditure when paid.

E. Investments

The District's investments consist solely of certificates of deposit reported at historical cost, which approximates fair value.

F. Property Taxes

Property taxes are levied in November based on property assessments made between January 1st and May 31st and are an enforceable lien on January 1st for real property and June 1st for personal property. The taxes are payable between January and October 15th of the following year and are considered delinquent after October 15th.

Property taxes shall be accrued or deferred, as applicable, in accordance with guidelines issued by the Arkansas Department of Education (ADE). Arkansas law defines revenue receipts of a school district as actual proceeds of local taxes collected during the current fiscal year.

Amendment No. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Arkansas Code Annotated § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For report purposes, URT revenues are considered property taxes.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

Capital asset purchases are recorded as expenditures at the time of purchase and depreciation is not recognized. Information on capital assets and related depreciation is reported in the schedule of capital assets. For this schedule, capital assets are capitalized at historical cost or estimated historical cost.

I. Accounts Payable and Long-term Obligations

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences, interest, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

J. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Reserved fund balances represent that portion of the fund balance, which is not appropriable for expenditure, or is legally segregated for a specific future use.

K. Fund Designations

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the District's intentions and is subject to change. Designations are reported as part of unreserved fund balance. Designations represent amounts set-aside for budget stabilization which exceeds the statutory required amount.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Estimates

The preparation of the financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Budget and Budgetary Accounting

The District is required by Arkansas State Law to prepare an annual budget approved by the School Board and submitted to the Arkansas Department of Education by September 15 of the current fiscal year. The annual budget is prepared on the regulatory basis of accounting. The District does not prepare and submit amended budgets during the fiscal year to the Department of Education.

NOTE 2: CASH AND INVESTMENTS

Arkansas statutes allow each local district the right to determine the depositories in which to deposit District funds and the amounts and type of investments in which to invest District funds, provided, however, that investments are limited specifically to bonds or notes of the United States of America, general obligation bonds of the State of Arkansas, or bank certificates of deposit. At June 30, 2019, the District's cash consisted of demand deposits at two local depository banks.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all deposits with federal depository insurance (FDIC); a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; and the bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by a bond executed by a surety company authorized to do business in the State of Arkansas.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The carrying amount of total deposits, amount of the total bank balances, and the custodial credit risk at June 30, 2019, are summarized as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC) and Collateralized	\$ 28,030,977	\$ 28,934,512
Uninsured, Uncollateralized	-	-
Escrow Funds	<u>3,626,889</u>	<u>3,626,889</u>
TOTAL	<u>\$ 31,657,866</u>	<u>\$ 32,561,401</u>

The above total deposits do not include cash on hand of \$220.

The carrying value of the above-mentioned cash deposits at June 30, 2019, is included in the accompanying financial statements as follows:

Total Governmental Funds	\$ 27,954,862
Funds with Escrow Agent	3,626,889
Fiduciary Fund Types	<u>76,115</u>
Total	<u>\$ 31,657,866</u>

NOTE 3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$418,427 at June 30, 2019, consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
State Sources	\$ 1,278	\$ -	\$ 1,278
Federal Sources	<u>-</u>	<u>417,149</u>	<u>417,149</u>
Totals	<u>\$ 1,278</u>	<u>\$ 417,149</u>	<u>\$ 418,427</u>

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4: BONDED AND NON-BONDED DEBT

A. Debt Descriptions

The District entered into a 36-month lease purchase agreement in the amount of \$1,211,027 for the computer hardware on July 10, 2018. The interest rate was 3.628%

The District has Qualified School Construction Bonds (QSCB) in the amount of \$8,445,000, which are due on November 1, 2029. The interest of 5.15% is partially subsidized by the federal government on a semi-annual basis. The balance of this QSCB sinking fund at June 30, 2019 is \$3,626,889.

The District issues general obligation bonds to provide funds for the acquisition, construction, and operation of major capital facilities. General obligation bonds are direct obligations and are secured by the full faith credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue contains an option allowing bonds to be called in inverse numerical order for redemption prior to maturity.

The District issued a bond in the amount of \$28,145,000 on July 20, 2018. The proceeds were used to refund the 06/15/2012 bond issue with a payoff of \$27,120,000. The 7/20/2018 bond issue bears interest at rates of interest of 2.00% to 3.375% with a maturity of 02/01/2040.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4: BONDED AND NON-BONDED DEBT (CONTINUED)

B. Long-term Debt Details at June 30, 2019

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate Percent</u>	<u>Amount of Original Issue</u>	<u>Total Debt Retired at June 30, 2019</u>	<u>Debt Outstanding June 30, 2019</u>
<u>Bonded</u>					
11/23/2010	06/30/2030	5.15%	\$ 8,445,000	\$ -	\$ 8,445,000
08/09/2016	02/01/2040	1.0-2.55%	4,830,000	65,000	4,765,000
06/29/2017	02/01/2048	3.0-3.50%	33,920,000	680,000	33,240,000
07/20/2017	02/01/2040	2.0-3.375%	28,145,000	1,150,000	26,995,000
Total Bonded Debt			<u>75,340,000</u>	<u>1,895,000</u>	<u>73,445,000</u>
<u>Non-Bonded</u>					
11/01/2016	11/01/2016	2.50%	813,249	813,249	-
03/30/2013	07/30/2018	7.66%	154,530	154,530	-
07/10/2019	07/10/2021	3.63%	1,211,027	319,128	891,899
Total Non-Bonded Debt			<u>2,178,806</u>	<u>1,286,907</u>	<u>891,899</u>
Total Long-Term Debt			<u>\$ 77,518,806</u>	<u>\$ 3,181,907</u>	<u>\$ 74,336,899</u>

C. Long-term Debt Changes for the Year Ended June 30, 2019

	<u>Balance June 30, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 75,100,000	\$ -	\$ 1,655,000	\$ 73,445,000	\$ 1,825,000
Non Bonded Debt	256,229	1,211,027	575,357	891,899	286,770
Total Long-term Deb	<u>\$ 75,356,229</u>	<u>\$ 1,211,027</u>	<u>\$ 2,230,357</u>	<u>\$ 74,336,899</u>	<u>\$ 2,111,770</u>

BENTON SCHOOL DISTRICT NO. 8  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4: BONDED AND NON-BONDED DEBT (CONTINUED)

D. Principal and Interest Payments for Years Subsequent to June 30, 2019

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Total</u>
2020	\$ 2,111,770	\$ 2,451,318	\$ (403,169)	\$ 4,159,919
2021	2,172,174	2,398,764	(403,169)	4,167,769
2022	2,222,955	2,341,989	(403,168)	4,161,776
2023	1,975,000	2,280,636	(403,168)	3,852,468
2024	2,035,000	2,223,986	(403,168)	3,855,818
2025-2029	11,120,000	10,198,296	(2,015,843)	19,302,453
2030-2034	21,360,000	6,479,725	(403,168)	27,436,557
2035-2039	15,165,000	4,101,218	-	19,266,218
2040-2044	9,270,000	1,801,750	-	11,071,750
2045-2048	6,905,000	374,500	-	7,279,500
	<u>\$ 74,336,899</u>	<u>\$ 34,652,182</u>	<u>\$ (4,434,853)</u>	<u>\$ 104,554,228</u>

NOTE 5: RETIREMENT PLANS

A. Arkansas Teacher Retirement System

- (1) Plan Description - The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained by writing to ATRS, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5: RETIREMENT PLANS (CONTINUED)

A. Arkansas Teacher Retirement System (Continued)

- (2) Funding Policy - ATRS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salaries. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14% of covered salaries.

The employer contribution was paid by the Arkansas Department of Education from the public school fund, except for those employees paid from federal funding. Employer contributions for those employees were paid by the District. Beginning July 1, 1993, the employer contribution for nonfederally funded members became the lesser of the result of multiplying the applicable percent of active member payroll for the fiscal year by the total covered reported salaries of the previous fiscal year, including any prior year reported salaries, or the amount appropriated by the Arkansas General Assembly. The amount appropriated is limited to the amount funded. The Department of Education determines the amount funded.

The District's contributions to ATRS for the years ended June 30, 2019, 2018, and 2017 were approximately \$3,610,448, \$3,531,564, and \$3,459,739 respectively, equal to the required contributions for each year.

The District contributes to ATRS for the salaries of food service and substitutes at a rate of 0.005. For the year ended June 30, 2019 the District paid \$7,696.

- (3) Net Pension Liability

The Arkansas Department of Education has stipulated that under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 are limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$30,310,456.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5: RETIREMENT PLANS (CONTINUED)

B. Arkansas Public Employees Retirement System

- (1) Plan Description - The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain non-teaching Arkansas public school employees hired before July 1, 1989. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to APERS, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

- (2) Funding Policy - APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salaries. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly.

The current statutory employer rate is 4% of annual covered payroll. The District's contributions to APERS for the years ended June 30, 2019, 2018, and 2017 were \$2,635, \$2,690, and \$3,404, respectively, equal to the required contributions for each year.

- (3) Net Pension Liability

The Arkansas Department of Education has stipulated that under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 are limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$21,477.

BENTON SCHOOL DISTRICT NO. 8  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6: INTERFUND TRANSFERS

Interfund transfers consist primarily of transfers from the General Fund to the Debt Service Fund for the payment of scheduled debt service expenditures. Interfund transfers for the year ended June 30, 2019, are summarized as follows:

<u>Transfer From</u>	<u>Other Governmental Funds</u>	<u>Total</u>
General Fund	\$ 7,308,214	\$ 7,308,214
Total	<u>\$ 7,308,214</u>	<u>\$ 7,308,214</u>

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District has joined with other school districts to form the Arkansas School Board Association Self-Insurance Program, a public entity risk pool currently operating as a common risk management and insurance program for its members. The District pays an annual premium to the Pool for its property insurance. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts.

BENTON SCHOOL DISTRICT NO. 8  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8: COMMITMENTS

The District was contractually obligated for the following at June 30, 2019.

A. Construction Contracts

<u>Project Name</u>	Total Construction Contracts	Total Architect Contracts	Paid To Date	Committed Projects to Complete
Athletic Complex Parking Lots	\$ 169,892	\$ 10,194	\$ 109,225	\$ 70,860
Benton Baseball Field	3,910,304	234,618	3,943,893	201,029
Cook Field House Renovation	3,246,949	194,817	488,641	2,953,125
Perrin Kitchen Addition	799,286	47,957	-	847,243
Grant Cafeteria/Kitchen	117,793	7,068	-	124,861
Totals	<u>\$ 8,244,224</u>	<u>\$ 494,654</u>	<u>\$ 4,541,759</u>	<u>\$ 4,197,118</u>

B. Operating Leases

The District is under an agreement for the use of copiers and printers. The basis on which contingent rental payments are determined, if applicable, is the total number of copies used district-wide at a rate of \$0.0157 for black and white per copy and \$0.085 per color copy, with a monthly minimum of 935,000 copies for 60 months. Total payments for the use of this equipment was \$211,247 for the year ended June 30, 2019.

Future lease payments of the succeeding years are as follows:

	<u>Equipment</u>
2020	\$ 176,154
2021	146,795
2022	-
2023	-
	<u>\$ 322,949</u>

BENTON SCHOOL DISTRICT NO. 8  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8: COMMITMENTS (CONTINUED)

C. Contractual Agreements

(1) The District paid a monthly \$1,000 service fee to Benton Utilities for maintaining the service to each of the nine DMARC points. This agreement renewed on April 30, 2018 for three years. The total service fees for the year ended June 30, 2019, were \$12,000.

Future minimum service fees of the succeeding years are as follows.

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 10,000
2021	-
2022	-
2023	-
2024	-
	<u>\$ 10,000</u>

(2) The District contracted with a food service management company for the nutrition program for the year ended June 30, 2019. The total payments for these services were \$1,459,705.

The District has renewed the contract with the food service management company for the 2019/2020 school year on a cost reimbursable basis.

(3) The District entered into a 48-month lease purchase agreement signed on June 18, 2019 with a commencement date of July 10, 2019. The lease is for computer equipment in the amount of \$1,211,027 with an annual interest rate of 3.628% resulting in a total of \$1,276,511. The first payment of \$319,128 is due on July 10, 2019 with the final payment being due on 07/10/2021. The District took possession of this equipment in August 2019.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$799,419 for the year ended June 30, 2019.

NOTE 10: SUBSEQUENT EVENTS

The Benton School District No. 8 did not have any recognized or nonrecognized subsequent events occur after June 30, 2019, the date of the balance sheet. Subsequent events have been evaluated through March 25, 2020, the date the financial statements were available to be issued.

BENTON SCHOOL DISTRICT NO. 8  
SCHEDULE OF CAPITAL ASSETS  
JUNE 30, 2019

	Balance <u>June 30, 2019</u>
Nondepreciable Capital Assets:	
Land	\$ 4,693,259
Construction in Progress	<u>4,690,759</u>
Total Nondepreciable	<u>9,384,018</u>
 Depreciable Capital Assets	
Buildings	99,116,461
Site Improvements	20,739,759
Equipment	<u>13,242,883</u>
Total Depreciable Capital Assets	<u>133,099,103</u>
 Less Accumulated Depreciation	 <u>41,886,815</u>
 Total Depreciable Capital Assets, Net	 <u>91,212,288</u>
 Capital Assets, Net	 <u><u>\$ 100,596,306</u></u>

See independent auditors' report on supplementary schedules.

BENTON SCHOOL DISTRICT NO. 8  
 NOTES TO SCHEDULE OF CAPITAL ASSETS (SCHEDULE 1)  
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: CAPITAL ASSETS

Capital assets generally result from expenditures in the governmental funds. These assets are not reported in the fund financial statement balance sheet – regulatory basis.

Capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the assets or materially extend an asset’s life are not capitalized. Interest incurred during construction is not capitalized.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Capital assets not being depreciated include land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Since surplus assets are sold for immaterial amounts when declared as no longer needed for public school purposes, no salvage value is taken into consideration for depreciation purposes. Depreciation is computed using the straight-line method over the estimated useful life of the assets. The District has established capitalization thresholds and estimated useful lives as follows:

<u>Description</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Lives in Years</u>
Land	All	-
Construction in Progress	All	-
Buildings	All	50
Vehicles	\$1,000	8
Equipment	\$1,000	5-20

BENTON SCHOOL DISTRICT NO. 8  
SCHEDULE OF BILLABLE UNITS  
NATIONAL SCHOOL LUNCH PROGRAM (SCHEDULE 2)  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Description</u>	<u>Number of Units</u>	<u>Rate</u>	<u>Revenue</u>
Meals Rendered in Accordance with U.S. Department of Agriculture Child Nutrition Program:			
Breakfast			
Paid	57,858	\$ 0.31	\$ 17,936
Free - Severe	135,847	2.14	290,712
Reduced	25,689	1.84	47,268
Total Breakfast	<u>219,394</u>		<u>355,916</u>
Lunch			
Paid	171,015	0.33	56,435
Free	230,093	3.33	766,210
Reduced Price	49,145	2.93	143,995
Total Lunch	<u>450,253</u>		<u>966,640</u>
Snack			
Free	1,663	0.91	1,513
Total Snacks	<u>1,663</u>		<u>1,513</u>
Total	<u><u>671,310</u></u>		1,324,069
Performance Based Reimbursement (1)		0.06	<u>27,015</u>
Total Revenue			<u><u>\$ 1,351,084</u></u>

(1) Performance Based Reimbursements is based on total lunch units at \$0.06.

See independent auditors' report on supplementary schedules.

BENTON SCHOOL DISTRICT NO. 8  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE 3)  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Disbursements/ Expenditures</u>
<u>U.S. Department of Education:</u>		
Passed-Through Arkansas Department of Education:		
Title I	84.010	\$ 622,772
Basic Grant - Formula Grant Entitlement	84.048	41,257
Special Education, IDEA, Part B	84.027	1,148,928
Title III, English Language Acquisition Grant	84.365	7,383
Improving Teacher Quality	84.367	<u>178,050</u>
Total U.S. Department of Education		<u>1,998,390</u>
<u>U.S. Department of Agriculture</u>		
Child Nutrition Cluster:		
Passed-Through the Arkansas Department of Education:		
School Breakfast Program	10.553	355,916
National School Lunch Program	10.555	<u>995,168</u>
Total U.S. Department of Agriculture		1,351,084
Passed-Through the State Department of Human Services:		
Food Distribution	10.555	<u>146,401</u>
Total Child Nutrition Cluster		<u>1,497,485</u>
<u>U.S. Department of Defense:</u>		
ROTC	12.AR200026	<u>137,421</u>
TOTAL		<u>\$ 3,633,296</u>

See independent auditors' report on supplementary schedules.

BENTON SCHOOL DISTRICT NO. 8  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS (SCHEDULE 4)  
 FOR THE YEAR ENDED JUNE 30, 2019

<u>Grantor</u>	<u>Contract Number/ Appropriation</u>	<u>Expenditures</u>
Arkansas Department of Education: Arkansas Better Chance Program	N/A	<u>\$90,596</u>
TOTAL		<u>\$90,596</u>

See independent auditors' report on supplementary schedules.

BENTON SCHOOL DISTRICT NO. 8  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1:     SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal awards programs and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (OMB Uniform Guidance). The accompanying Schedule of State Awards is a summary of activity of the District's state grants awarded by the Arkansas Department of Human Services. These schedules have been prepared on the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the presentation of the basic financial statements.

The District did not elect to use the 10% de minimis indirect cost rate as permitted by OMB Uniform Guidance.

NOTE 2:     NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. For the year ended June 30, 2019, the District received \$146,401 in food commodities.

NOTE 3:     MEDICAID

During the year ended June 30, 2019, the District received Medicaid funding of \$33,476 from the State Department of Human Services as well as \$167,268 of ARMAC Medicaid Administrative Claiming funds. Such payments are not considered federal awards expended; therefore they are not included in the Schedule of Expenditures of Federal Awards.

# COBB AND SUSKIE, LTD.

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Michael L. Cobb

Anne Suskie Pinyan

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

The Board of Education  
Benton School District No. 8  
Benton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of each major governmental fund, and the aggregate remaining fund information of Benton School District No. 8, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Benton School District No. 8's regulatory basis financial statements, and have issued our report thereon dated March 25, 2020. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code Section 10-4-413(c), which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2019 and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Benton School District No. 8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton School District No. 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Benton School District No. 8's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Benton School District No. 8's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Cobb and Suskie, Ltd*

Certified Public Accountants  
March 25, 2020

# COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

650 S. Shackelford Road • Suite 400 • P. O. Box 21675 • Little Rock, Arkansas 72221-1675  
(501) 225-2133 • Fax (501) 223-2839

Michael L. Cobb

Anne Suskie Pinyan

## Independent Auditors' Report on Compliance for Each Major Program And on Internal Control over compliance Required by the Uniform Guidance

The Board of Education  
Benton School District No. 8  
Benton, Arkansas

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

We have audited Benton School District No. 8's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Benton School District No. 8's major federal programs for the year ended June 30, 2019. Benton School District No. 8's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Benton School District No. 8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton School District No. 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Benton School District No. 8's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Benton School District No. 8, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

Management of Benton School District No. 8 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Benton School District No. 8's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Benton School District No. 8's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Education  
Benton School District No. 8  
Page Three

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

*Cobb and Suskie, Ltd*

Certified Public Accountants  
March 25, 2020

BENTON SCHOOL DISTRICT NO. 8  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 IN ACCORDANCE WITH THE UNIFORM GUIDANCE  
 FOR THE YEAR ENDED JUNE 30, 2019

**SECTION I: SUMMARY OF AUDITORS' RESULTS**

1. Type of Report Issued, Financial Statements  
 The independent auditors' report expresses an adverse opinion on the GAAP basis of reporting and an unmodified opinion on the regulatory basis of accounting on the basic financial statements of Benton School District No. 8.
2. The independent auditors' report on internal control over financial reporting described:
 

Significant deficiency(ies) identified?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Yes	No
Material weakness(es) identified?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Yes	No
3. Noncompliance considered material to the financial statements was disclosed by the audit?
 

<input type="checkbox"/>	<input checked="" type="checkbox"/>
Yes	No
4. The independent auditors' report on internal control over compliance with requirements applicable to major federal awards programs described:
 

Significant deficiency(ies) identified?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Yes	No
Material weakness(es) identified?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Yes	No
5. The opinion expressed in the independent auditors' report on compliance with requirements applicable to major federal awards was:
 

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unmodified	Modified	Adverse	Disclaimed
6. The audit disclosed findings required to be reported by the Uniform Guidance?
 

<input type="checkbox"/>	<input checked="" type="checkbox"/>
Yes	No
7. Major Programs  
 Title I, CFDA Number 84.010  
 Special Education CFDA Number 84.027
8. Threshold between Type A and Type B Programs  
 The threshold for distinguishing Type A and B programs was \$750,000.
9. Type of Auditee  
 Benton School District No. 8 did not qualify as a low-risk auditee as that term is defined by the Uniform Guidance.

**Section II: FINANCIAL STATEMENT FINDINGS**

None Noted

BENTON SCHOOL DISTRICT NO. 8  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019

**Section III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Noted

**Section IV: PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

There were no prior year findings and questioned costs.

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Michael L. Cobb

Anne Suskie Pinyan

## Independent Auditors' Report on Compliance With Arkansas State Requirements

The Board of Education  
Benton School District No. 8  
Benton, Arkansas

We have examined management's assertions that Benton School District No. 8 substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Benton School District No. 8 complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2019.

This report is intended solely for the information and use of the School Board, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Cobb and Suskie, Ltd*

Certified Public Accountants  
March 25, 2020

BENTON SCHOOL DISTRICT NO. 8  
 SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION  
 TO BE ADDRESSED IN INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
 FOR THE YEAR ENDED JUNE 30, 2019

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding and Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628, 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201 – 6-20-1208, 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.
• District Treasurer	6-13-701
○ Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 - 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws – Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or more (Certified & Classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teacher and Employees	
• Personnel Policies	6-17-201 et seq.; 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees.

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Michael L. Cobb

Anne Suskie Pinyan

## MANAGEMENT LETTER

The Board of Education

Benton School District No. 8

Benton, Arkansas

In planning and performing our audit of the financial statements of Benton School District No. 8 as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Benton School District's internal control over financial reporting as a basis for designing in 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 its internal control.

However, during our audit we became aware of certain matters that provide opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We previously reported on Benton School District's internal control over financial reporting in our report dated March 25, 2020. This letter does not affect our report dated March 25, 2020, on the financial statements of Benton School District No. 8.

Management's response to these findings and recommendations accompanies this management letter. We did not audit the District's response; and, accordingly, we do not express an opinion on it.

We will review the status of these comments during the next audit engagement. We have already discussed these comments and recommendations with certain Benton School District No. 8 personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Certified Public Accountants

March 25, 2020

BENTON SCHOOL DISTRICT No. 8  
MANAGEMENT LETTER  
FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019

1. FEDERAL PROGRAMS

Our test of payroll for seven classified employees in the Title 1 program indicated four employees for whom the time charged to the program exceeded the time indicated in the employees' personnel activity reports in the aggregate amount of \$9,500. Consultation with the Title 1 director and the employees involved revealed a lack of understanding on the employees' part as to which activities they performed were qualified Title 1 activities. The result was that some time spent on allowable Title 1 activities had been charged to operating fund activities. Research into this matter revealed that the discrepancy between the Title 1 charges and the personnel activity reports was due to the improper reporting of time rather than the overcharging of time to the Title 1 program.

We recommend that training in the reporting of time in the personal activity reports and the allocation between federal programs and operating fund activities be a matter of special attention to ensure that federal program charges are properly substantiated.

# *Benton School District*

*Chris Hinson*  
*Chief Financial Officer*

207 W. Conway Street  
P.O. Box 939  
Benton, AR 72018  
(501) 778-4861 Ext. 1006  
FAX (501) 776-5777



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Mr. Cobb,

This letter is to inform you that we are in agreement with your findings and have begun taking steps to strengthen our internal controls. At this time we have completed the following:

1. We have adjusted all Title I paraprofessionals to have 94% of their time allocated to Title I activities with 6% of their time related to building activities within eFinance.
2. The Federal Coordinator met with the four paraprofessionals and the building principal to clarify what activities constitute Title I activities and which ones constitute building activities.
3. The Personal Activity Reports (PARS) are completed and turned into the building principal monthly instead of annually or semi-annually. The principal checks each report for accuracy and meets with the staff member if incorrect.
4. PARS are sent to the Federal Coordinator monthly. These are reviewed and the principal is contacted if one is incorrect.

Future adjustments will be made to strengthen internal controls. These will include the following:

1. The building principal and Federal Coordinator will review each paraprofessional's schedule to ensure their daily activities fall within the 94% and 6% requirements. Adjustments will be made if these activities do not meet the time requirements.
2. The building principal will distribute and review the schedules with the paraprofessionals. It will be explained that they are not to make changes to their schedule without approval of the building principal.
3. The Federal Coordinator will meet with the paraprofessionals at the beginning of each year to ensure they understand which activities are federal and which are building level.

Thank you for your recommendations in this area. Please let us know if there is anything further we can do to strengthen our internal controls.

Thank you,

A handwritten signature in black ink, appearing to read 'Chris Hinson', with a stylized flourish at the end.

Chris Hinson  
Chief Financial Officer  
Benton School District