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North Bolivar Consolidated School District

Unaudited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

North Bolivar Consolidated School District
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FINANCIAL AUDIT REPORT

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

Superintendent and School Board
North Bolivar Consolidated School District

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Bolivar Consolidated School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the North Bolivar Consolidated School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
General Fund	Disclaimer
EHA Part B Grant Fund	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds

Basis for Disclaimer - Unaudited Entity and Funds

The North Bolivar Consolidated School District does not maintain adequate and complete accounting records to provide sufficient information for the fair presentation of the basic financial statements. Since the school district does not have adequate and complete records we were not able to apply other auditing procedures to satisfy ourselves as to the fair presentation of the financial statements.

Disclaimer of Opinions

Because of the significance of the matters described in the “Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds” paragraphs above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 32 to 36 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 were unable to apply certain limited procedures to the budgetary comparison information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions in accordance with auditing standards generally accepted in the United States of America. Due to the matters described in the “Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds” paragraphs we were not able to audit the information and we do not express an opinion or provide any assurance on the information.

Omission of Required Supplementary Information

North Bolivar Consolidated School District's, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

Other Information

We were engaged to conduct our audit for the purpose of forming opinions on the financial statements that collectively comprise the North Bolivar Consolidated School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not 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. Because of the significance of the matters described above in the "Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information - Basis for Disclaimer - Unaudited Entity and Funds" paragraphs, we were not able to audit the basic financial statements. Therefore, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the North Bolivar Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 North Bolivar Consolidated School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
September 4, 2018

Certified Public Accountants

FINANCIAL STATEMENTS

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,984,265
Due from other governments	1,253,166
Inventories	23,081
Restricted assets	90,915
Capital assets, net	2,901,842
Total Assets	<u>7,253,269</u>
Deferred Outflows of Resources	
Deferred charges on debt refunding	6,855
Pension related	1,692,449
Total Deferred Outflows of Resources	<u>1,699,304</u>
Liabilities	
Accounts payable and accrued liabilities	1,011,461
Due to other governments	952,999
Interest payable on long-term liabilities	17,180
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,130,058
Non-capital related liabilities	36,571
Net pension liability	13,867,008
Total Liabilities	<u>17,015,277</u>
Deferred Inflows of Resources	
Pension related	2,010,125
Total Deferred Inflows of Resources	<u>2,010,125</u>
Net Position	
Net Investment in Capital Assets	1,778,639
Restricted	
Expendable:	
Debt service	339,848
Capital projects	73,687
Unemployment benefits	11,796
Forestry improvements	47,344
Unrestricted	(12,324,143)
Total Net Position (Deficit)	<u>\$ (10,072,829)</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Instruction	6,770,846	139,817	1,109,554	(5,521,475)
Support services	4,575,819	--	775,451	(3,800,368)
Noninstructional services	936,559	142,903	862,324	68,668
Sixteenth section	20	--	--	(20)
Capital outlays	24,595	--	--	(24,595)
Interest on long-term liabilities	245,788	--	--	(245,788)
Total Governmental Activities	\$ 12,553,627	\$ 282,720	\$ 2,747,329	(9,523,578)
General Revenues:				
Taxes:				
General purpose levies				1,395,554
Debt purpose levies				44,496
Unrestricted grants and contributions:				
State				6,609,748
Federal				10,352
Unrestricted investment earnings				1,248
Sixteenth section sources				660,154
Other				120,682
Total General Revenues				8,842,234
Change in Net Position				(681,344)
Net Position (Deficit- Beginning, as previously reported				(9,082,146)
Prior Period Adjustment				(309,339)
Net Position (Deficit) - Beginning, as restated				(9,391,485)
Net Position (Deficit) - Ending				\$ (10,072,829)

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	EHA Part B Grant Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,500,444	\$ --	\$ 489,131	\$ 2,989,575
Investments	--	--	85,605	85,605
Due from other governments	140,668	--	271,205	411,873
Due from other funds	557,523	7,564	276,206	841,293
Inventories	--	--	23,081	23,081
Total Assets	<u>\$ 3,198,635</u>	<u>\$ 7,564</u>	<u>\$ 1,145,228</u>	<u>\$ 4,351,427</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 518,807	\$ 205,579	\$ 287,075	\$ 1,011,461
Due to other funds	651,403	--	301,596	952,999
Total Liabilities	<u>1,170,210</u>	<u>205,579</u>	<u>588,671</u>	<u>1,964,460</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal	--	--	5,310	5,310
Inventory	--	--	8,659	8,659
Restricted:				
Unemployment benefits	--	--	11,796	11,796
Forestry improvements	--	--	47,344	47,344
Capital improvements	--	--	73,687	73,687
Debt service	--	--	339,848	339,848
Food service	--	--	171,846	171,846
Assigned:				
Other purposes	1,782	--	--	1,782
Unassigned	<u>2,026,643</u>	<u>(198,015)</u>	<u>(101,933)</u>	<u>1,726,695</u>
Total Fund Balances	<u>2,028,425</u>	<u>(198,015)</u>	<u>556,557</u>	<u>2,386,967</u>
Total Liabilities and Fund Balances	<u>\$ 3,198,635</u>	<u>\$ 7,564</u>	<u>\$ 1,145,228</u>	<u>\$ 4,351,427</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET POSITION**JUNE 30, 2016*

Total fund balances for governmental funds	\$ 2,386,967
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,901,842
Payables for bond principal which are not due in the current period are not reported in the funds.	(615,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(17,180)
Payables for notes which are not due in the current period are not reported in the funds.	(516,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(36,571)
Deferred amount on refunding is accounted for in SNP as a DOR but not in the funds.	6,855
Recognition of the SD's proportionate share of the net pension liability is not reported in the funds.	(13,867,008)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(2,010,125)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,692,449
Bond discounts are amortized in the SNP but not in the funds.	942
Net position of governmental activities	\$ <u>(10,072,829)</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	EHA Part B Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 1,660,931	\$ --	\$ 188,947	\$ 1,849,878
State sources	6,334,921	--	489,815	6,824,736
Federal sources	10,352	120,834	2,411,507	2,542,693
Sixteenth section sources	613,716	--	47,239	660,955
Total Revenues	<u>8,619,920</u>	<u>120,834</u>	<u>3,137,508</u>	<u>11,878,262</u>
Expenditures:				
Instruction	5,388,804	109,428	1,272,614	6,770,846
Support services	3,556,509	207,426	811,884	4,575,819
Noninstructional services	18,737	1,995	922,992	943,724
Sixteenth section	20	--	--	20
Facilities acquisition and construction	24,595	--	--	24,595
Debt service:				
Principal	--	--	233,738	233,738
Interest	--	--	10,700	10,700
Other	--	--	1,350	1,350
Total Expenditures	<u>8,988,665</u>	<u>318,849</u>	<u>3,253,278</u>	<u>12,560,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditure	<u>(368,745)</u>	<u>(198,015)</u>	<u>(115,770)</u>	<u>(682,530)</u>
Other Financing Sources (Uses):				
Operating transfers in	637,256	--	22,532	659,788
Operating transfers out	(534,587)	--	(131,180)	(665,767)
Total Other Financing Sources (Uses)	<u>102,669</u>	<u>--</u>	<u>(108,648)</u>	<u>(5,979)</u>
Net change in fund balances	<u>(266,076)</u>	<u>(198,015)</u>	<u>(224,418)</u>	<u>(688,509)</u>
Fund Balances:				
July 1, 2015, as previously reported	2,603,840	--	773,810	3,377,650
Prior period adjustments	(309,339)	--	--	(309,339)
July 1, 2015, as restated	<u>2,294,501</u>	<u>--</u>	<u>773,810</u>	<u>3,068,311</u>
Increase (Decrease) in inventory	--	--	7,165	7,165
June 30, 2016	<u>\$ 2,028,425</u>	<u>\$ (198,015)</u>	<u>\$ 556,557</u>	<u>\$ 2,386,967</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$ (688,509)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Change in inventory affects fund balance in the funds but affects expense in the SOA.	<u>7,165</u>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>(681,344)</u></u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2016

	Agency Funds
Assets	
Cash and cash equivalents	\$ 422,085
Due from other funds	181,141
Total Assets	<u>\$ 603,226</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 489,325
Due to student clubs	7,686
Due to other funds	106,215
Total Liabilities	<u>\$ 603,226</u>

The accompanying notes are an integral part of this statement.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds,

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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 in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

EHA Part B Grant Fund - This is the school district's federal reimbursable fund that serves to fund the program for children with disabilities, related services and special education.

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 District's fiduciary funds include the following:

Student Club Funds - These funds are used to account for the transaction of student clubs.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for accounts payable type transactions.

Scholarship Funds - These funds are used to account for the contributions to and scholarships awarded from the district's scholarship funds.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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.

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when

North Bolivar Consolidated School DistrictNotes to the Financial Statements
For the Year Ended June 30, 2016

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available.

Measurable means knowing or being able to reasonably estimate the amount.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay)

are recorded when the related fund liability is incurred, as under accrual

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

North Bolivar Consolidated School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. 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.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

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 governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

7. Deferred outflows/inflows of resources

In addition to assets, the statement financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has a deferred outflow which is presented as a deferred outflow for deferred charges on debt refunding and pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The school district has a deferred inflow which is presented as a deferred inflow for pension.

See Note 11 for further details.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/ Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond 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.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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 assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

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

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

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

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

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

It is the policy of the District to maintain a minimum fund balance in the General Fund at fiscal year end of not less than 3% of the General Fund expenditures. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the

North Bolivar Consolidated School DistrictNotes to the Financial Statements
For the Year Ended June 30, 2016

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 deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,989,575 and \$422,085, respectively. Amounts presented on the financial statements were disclaimed by the auditor.

Investments

As of June 30, 2016, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury Cash Reserve	No rating	1 to 5	\$ <u>85,605</u>

Amounts presented on the financial statements were disclaimed by the auditor.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 3 - Inter-fund Receivables, Payables and Transfers**A. Due From/To Other Funds**

Due from/to other funds are out of balance. See disclaimer of opinion on financial statements and Finding 2016-001.

B. Inter-fund Transfers

Transfers in and out are out of balance. See disclaimer of opinion on financial statements and Finding 2016-001.

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$5,310, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investments balance, totaling \$85,605, of the MAEP Debt Retirement Fund. Amounts presented on the financial statements were disclaimed by the auditor.

Note 5- Capital Assets

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

	Balance 7-1-2015	Balance 6-30-2016
<u>Non-depreciable capital assets:</u>		
Land	\$ 37,690	37,690
Total non-depreciable capital assets	<u>37,690</u>	<u>37,690</u>
<u>Depreciable capital assets:</u>		
Buildings	3,295,287	3,295,287
Building improvements	920,876	920,876
Improvements other than buildings	109,597	109,597
Mobile equipment	1,717,004	1,717,004
Furniture and equipment	577,641	577,641
Total depreciable capital assets	<u>6,620,405</u>	<u>6,620,405</u>
<u>Less accumulated depreciation for:</u>		
Buildings	1,770,298	1,770,298
Building improvements	216,192	216,192
Improvements other than buildings	37,469	37,469
Mobile equipment	1,244,058	1,244,058
Furniture and equipment	488,236	488,236
Total accumulated depreciation	<u>3,756,253</u>	<u>3,756,253</u>
Total depreciable capital assets, net	<u>2,864,152</u>	<u>2,864,152</u>
Governmental activities capital assets, net	<u>\$ 2,901,842</u>	<u>2,901,842</u>

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 - Long-term liabilities

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

		Balance 7-1-2015	Balance 6-30-2016
A.	Limited obligation bonds payable	\$ 615,000	615,000
	Discounts	(942)	(942)
B.	Three mill notes payable	516,000	516,000
C.	Compensated absences payable	36,571	36,571
	Total	\$ 1,166,629	1,166,629

Note 7 - Defined Benefit Pension Plan

Amounts presented in the financial statements are the same as those presented in the fiscal year 2015 audit report. A disclaimer of opinion on the current year financial statement has been issued.

Note 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 Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. 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 up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. This district has not had an additional assessment for excess losses incurred by the pool.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 9 - Contingencies

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

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

Note 10 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases. Because renewed leases were not submitted to the Secretary of State 30 days after the renewal, a schedule could not be prepared. See state compliance Finding 4.

Note 11 - Effect of Deferred Amounts on Net Position

Amounts presented on the financial statements were disclaimed by the auditor.

Note 12 - Prior Period Adjustments

Amounts presented on the financial statements were disclaimed by the auditor.

North Bolivar Consolidated School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the North Bolivar Consolidated School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,391,070	3,508,026	1,660,931	116,956	(1,847,095)
State sources	12,698,297	12,687,897	6,334,921	(10,400)	(6,352,976)
Federal sources	42,200	69,936	10,352	27,736	(59,584)
Sixteenth section sources	-	351,002	613,716	351,002	262,714
Total Revenues	<u>16,131,567</u>	<u>16,616,861</u>	<u>8,619,920</u>	<u>485,294</u>	<u>(7,996,941)</u>
Expenditures:					
Instruction	10,775,147	10,650,785	5,388,804	124,362	5,261,981
Support services	5,375,297	5,088,886	3,556,509	286,411	1,532,377
Noninstructional services			18,737	-	(18,737)
Sixteenth section	-	87,795	20	(87,795)	87,775
Facilities acquisition and construction	-	-	24,595	-	(24,595)
Debt service:					
Principal	-	-	-	-	-
Interest	126,032	126,032		-	126,032
Total Expenditures	<u>16,276,476</u>	<u>15,953,498</u>	<u>8,988,665</u>	<u>322,978</u>	<u>6,964,833</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(144,909)</u>	<u>663,363</u>	<u>(368,745)</u>	<u>808,272</u>	<u>(1,032,108)</u>
Other Financing Sources (Uses):					
Transfers In	243,000	397,170	637,256	154,170	240,086
Transfers Out	(13,123)	(213,601)	(534,587)	(200,478)	(320,986)
Total Other Financing Sources (Uses)	<u>229,877</u>	<u>183,569</u>	<u>102,669</u>	<u>(46,308)</u>	<u>(80,900)</u>
Net Change in Fund Balances	<u>84,968</u>	<u>846,932</u>	<u>(266,076)</u>	<u>761,964</u>	<u>(1,113,008)</u>
Fund Balances:					
July 1, 2015, Beginning - as originally reporte	424,945	1,452,687	2,603,840	1,027,742	1,151,153
Prior period adjustment			(309,339)	-	(309,339)
July 1, 2015, Beginning - as restated	<u>424,945</u>	<u>1,452,687</u>	<u>2,294,501</u>	<u>1,027,742</u>	<u>841,814</u>
June 30, 2016	<u>\$ 509,913</u>	<u>2,299,619</u>	<u>2,028,425</u>	<u>1,789,706</u>	<u>(271,194)</u>

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

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule

EHA Part B Grant Fund

For the Year Ended June 30, 2016

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 341,099	120,833	120,834	(220,266)	1
Total Revenues	<u>341,099</u>	<u>120,833</u>	<u>120,834</u>	<u>(220,266)</u>	<u>1</u>
Expenditures:					
Instruction	350,070	109,428	109,428	240,642	0
Support services	67,773	207,426	207,426	(139,653)	0
Noninstructional services	1,195	1,995	1,995	(800)	0
Total Expenditures	<u>419,038</u>	<u>318,849</u>	<u>318,849</u>	<u>100,189</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,939)</u>	<u>(198,016)</u>	<u>(198,015)</u>	<u>(120,077)</u>	<u>1</u>
Other Financing Sources (Uses):					
Operating transfers out	(3,500)	0	0	3,500	0
Total Other Financing Sources (Uses)	<u>(3,500)</u>	<u>0</u>	<u>0</u>	<u>3,500</u>	<u>0</u>
Net Change in Fund Balances	<u>(81,439)</u>	<u>(198,016)</u>	<u>(198,015)</u>	<u>(116,577)</u>	<u>1</u>
Fund Balances:					
July 1, 2015, Beginning - as originally reported	0	0	0	0	0
June 30, 2016	<u>\$ (81,439)</u>	<u>(198,016)</u>	<u>(198,015)</u>	<u>(116,577)</u>	<u>1</u>

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

North Bolivar Consolidated School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2016	2015
District's proportion of the net pension liability (asset) \$	13,867,008	13,867,008
District's proportionate share of the net pension liability (asset)	0.114243%	0.114243%
District's covered - employee payroll **	6,902,578	6,980,825
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	200.90%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

** The amounts shown here were calculated using the amounts from the Public Employees' Retirement System of Mississippi's Report - Schedule of Employer Allocations and Schedule of Collective Pension Amounts

North Bolivar Consolidated School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	\$ 1,123,555	1,087,156
Contributions in relation to the contractually required contribution	1,123,555	1,087,156
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	7,133,683	6,902,578
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

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

North Bolivar Consolidated School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary Comparison Schedules

(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.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 214,955
National School Lunch Program	10.555	591,884
Summer Food Service Program for Children	10.559	21,685
Total Child Nutrition Cluster		<u>828,524</u>
Equipment Assistance Grant	10.579	17,000
Total passed-through the Mississippi Department of Education		<u>17,000</u>
Total U.S. Department of Agriculture		<u><u>845,524</u></u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,217,818
Career and Technical Education - Basic Grants to States	84.048	36,769
Twenty-First Century Community Learning Centers	84.287	262,573
Rural Education	84.358	16,019
Supporting Effective Instruction State Grant	84.367	175,704
Subtotal		<u>1,708,883</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	318,849
Special Education - Preschool Grants	84.173	12,756
Total Special Education Cluster		<u>331,605</u>
Total passed-through the Mississippi Department of Education		<u>2,040,488</u>
Total U.S. Department of Education		<u><u>2,040,488</u></u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	10,352
Total passed-through Mississippi Department of Education		<u>10,352</u>
Total U.S. Department of Health and Human Services		<u><u>10,352</u></u>
Total for All Federal Awards		\$ <u><u>2,896,364</u></u>

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

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	9,872,908	7,238,571	639,443	820,804	1,174,090
Other	2,687,884	649,938	251,809	3,564	1,782,573
Total	\$ <u>12,560,792</u>	<u>7,888,509</u>	<u>891,252</u>	<u>824,368</u>	<u>2,956,663</u>
Total number of students *	<u>1,040</u>				
Cost per student	\$ <u>12,078</u>	<u>7,585</u>	<u>857</u>	<u>793</u>	<u>2,843</u>

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

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

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

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

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

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

North Bolivar Consolidated School DistrictNotes to the Supplementary Information
For the Year Ended June 30, 2016

(1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school district and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The pass-through entities did not assign identifying numbers to the school district.
- c. The school district did not elect to use the 10% de minimis indirect cost rate.

OTHER INFORMATION

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

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 1,660,931	1,859,144	1,672,976	1,683,264
State sources	6,334,921	6,368,799	6,125,467	6,322,106
Federal sources	10,352	12,496	169,536	207,924
Sixteenth section sources	613,716	286,774	-	-
Total Revenues	<u>8,619,920</u>	<u>8,527,213</u>	<u>7,967,979</u>	<u>8,213,294</u>
Expenditures:				
Instruction	5,388,804	4,710,583	5,115,990	4,555,076
Support services	3,556,509	3,707,298	3,912,086	3,544,044
Noninstructional services	18,737	9,108	21,289	17,113
Sixteenth section	20	-	-	-
Facilities acquisition and construction	24,595	-	8,943	187,723
Total Expenditures	<u>8,988,665</u>	<u>8,426,989</u>	<u>9,058,308</u>	<u>8,303,956</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(368,745)</u>	<u>100,224</u>	<u>(1,090,329)</u>	<u>(90,662)</u>
Other Financing Sources (Uses):				
Insurance recovery	-	-	-	139,676
Sale of other property	-	-	-	350
Operating transfers in	637,256	93,254	199,880	60,200
Other financing sources	-	27,841	-	37,158
Operating transfers out	(534,587)	(285,553)	(176,174)	(389,815)
Other financing uses	-	-	-	(702)
Total Other Financing Sources (Uses)	<u>102,669</u>	<u>(164,458)</u>	<u>23,706</u>	<u>(153,133)</u>
Net Change in Fund Balances	<u>(266,076)</u>	<u>(64,234)</u>	<u>(1,066,623)</u>	<u>(243,795)</u>
Fund Balances:				
Beginning of period, as previously reported	2,603,840	-	2,360,721	2,604,516
***Statutory Consolidation - North Bolivar School District, June 30,	-	406,891	-	-
***Statutory Consolidation - Mound Bayou School District, June 30,	-	839,339	-	-
July 1, 2014, after Statutory Consolidations	<u>2,603,840</u>	<u>1,246,230</u>	<u>2,360,721</u>	<u>2,604,516</u>
Prior Period Adjustments	(309,339)	76,337	(47,868)	-
Fund Reclassification	-	1,345,507	-	-
Beginning of period, as restated	<u>2,294,501</u>	<u>2,668,074</u>	<u>2,312,853</u>	<u>2,604,516</u>
End of period	<u>\$ 2,028,425</u>	<u>2,603,840</u>	<u>1,246,230</u>	<u>2,360,721</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the North Bolivar School District and Mound Bayou School District were consolidated and formed North Bolivar Consolidated School District. The prior year comparison amounts represent both school districts.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 1,849,878	1,953,162	1,884,895	1,945,610
State sources	6,824,736	6,754,235	6,641,910	6,774,696
Federal sources	2,542,693	3,299,725	3,525,986	3,459,163
Sixteenth section sources	660,955	286,774	344,627	331,363
Total Revenues	<u>11,878,262</u>	<u>12,293,896</u>	<u>12,397,418</u>	<u>12,510,832</u>
Expenditures:				
Instruction	6,770,846	6,399,172	6,732,953	6,309,937
Support services	4,575,819	4,664,049	5,277,188	5,371,777
Noninstructional services	943,724	1,037,207	991,127	1,026,966
Sixteenth section	20	-	66,820	91,676
Facilities acquisition and construction	24,595	-	-	217,550
Debt service:				
Principal	233,738	206,000	205,000	172,000
Interest	10,700	31,246	35,605	20,465
Other	1,350	1,000	998	-
Total Expenditures	<u>12,560,792</u>	<u>12,338,674</u>	<u>13,309,691</u>	<u>13,210,371</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(682,530)</u>	<u>(44,778)</u>	<u>(912,273)</u>	<u>(699,539)</u>
Other Financing Sources (Uses):				
Notes issued	-	-	-	627,000
Insurance recovery	-	-	-	139,676
Sale of other property	-	-	-	350
Operating transfers in	659,788	402,003	376,054	450,015
Other financing sources	-	27,841	-	39,334
Operating transfers out	(665,767)	(402,003)	(376,054)	(450,015)
Other financing uses	-	(30,289)	(1,729)	(702)
Total Other Financing Sources (Uses)	<u>(5,979)</u>	<u>(2,448)</u>	<u>(1,729)</u>	<u>805,658</u>
Net Change in Fund Balances	(688,509)	(47,226)	(914,002)	106,119
Fund Balances:				
Beginning of period, as previously reported	3,377,650	-	4,469,663	4,363,967
**Statutory Consolidation - North Bolivar School District, June 30,	-	1,596,111	-	-
**Statutory Consolidation - Mound Bayou School District, June 30,	-	1,917,365	-	-
July 1, 2014, after Statutory Consolidations	<u>3,377,650</u>	<u>3,513,476</u>	<u>4,469,663</u>	<u>4,363,967</u>
Prior Period Adjustments	(309,339)	(81,435)	(47,868)	-
Fund Reclassification	-	-	-	-
Beginning of period, as restated	<u>3,068,311</u>	<u>3,432,041</u>	<u>4,421,795</u>	<u>4,363,967</u>
Increase (Decrease) in inventory	7,165	(7,165)	5,683	(423)
End of period	<u>\$ 2,386,967</u>	<u>3,377,650</u>	<u>3,513,476</u>	<u>4,469,663</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the North Bolivar School District and Mound Bayou School District were consolidated and formed North Bolivar Consolidated School District. The prior year comparison amounts represent both school districts.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
North Bolivar Consolidated School District

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Bolivar Consolidated School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the North Bolivar Consolidated School District's basic financial statements, and have issued our report thereon dated September 4, 2018. Our report disclaims opinions on such financial statements, because of the materiality and pervasiveness of the inadequacies in the accounting and financial reporting systems and the significance of certain uncertainties. We were unable to rely on the basic accounting systems and were not able to apply other auditing procedures to satisfy ourselves as to the fair presentation of the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district'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 the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness as Finding 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Bolivar Consolidated School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

North Bolivar Consolidated School District's Response to Finding

The North Bolivar Consolidated School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. The North Bolivar Consolidated School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
September 4, 2018

Certified Public Accountants

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

Superintendent and School Board
North Bolivar Consolidated School District

Report on Compliance for Each Major Federal Program

We were engaged to audit North Bolivar Consolidated School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on North Bolivar Consolidated School District's major federal programs for the year ended June 30, 2016. The North Bolivar Consolidated School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

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 opine on the District's compliance for each of the North Bolivar Consolidated School District's major federal programs based on our audit of the types of compliance requirements referred to above. Our audit followed 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). Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were unable to obtain sufficient appropriate evidence to opine on the District's major federal programs.

Basis for Disclaimer of Opinion on Each Major Federal Program

Because of the materiality and pervasiveness of the inadequacies in the accounting and financial reporting systems and the significance of certain uncertainties and, because we were unable to rely on the basic accounting systems and were not able to apply other auditing procedures to satisfy ourselves, the scope of our work was insufficient to enable us to express and we do not express an opinion on the district's compliance with the requirements described in the *OMB Compliance Supplement* that are applicable to each of the district's major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item Finding 2016-002.

North Bolivar Consolidated School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. North Bolivar Consolidated School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the North Bolivar Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Bolivar Consolidated School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our consideration of the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance, that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of

Findings and Questioned Costs as Finding 2016-002 and Finding 2016-003 to be significant deficiencies.

North Bolivar Consolidated School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying auditee's corrective action plan. North Bolivar Consolidated School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
September 4, 2018

Certified Public Accountants

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

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

Superintendent and School Board
North Bolivar Consolidated School District

We were engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Bolivar Consolidated School District as of and for the year ended June 30, 2016, which collectively comprise North Bolivar Consolidated School District's basic financial statements and have issued our report thereon dated September 4, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 5 below. The district reported \$0 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

Finding 1Criteria:

Section 71-5-359, Miss. Code Ann. (1972), requires that Mississippi Public School Districts maintain cash and investment balance in the Unemployment Compensation Fund equal to 2% of applicable wages.

Condition:

North Bolivar Consolidated School District required a balance of \$29,640 but only had \$12,300 in the fund.

Cause:

The cause of the above condition is primarily due to lack of controls in place to ensure compliance with state requirements.

Effect:

The District did not have the minimum balance required and as a result was not in compliance with Section 71-5-359, Miss. Code Ann. (1972)..

Recommendation:

The District should comply with Section 71-5-359, Miss. Code Ann. (1972).

Response:

The District has tested the cash balance in the Unemployment Compensation Fund equal to one percent of applicable wages in error. The 2017-2018 end of year balance has been tested at the appropriate two percent of applicable wages. Procedures will be put in place to ensure compliance with MS Code Section 71-5-359.

Finding 2Criteria:

Section 37-9-31, Miss. Code Ann. (1972) requires that superintendent shall be bonded for at least \$100,000, principals shall be bonded for at least \$50,000, board members shall be bonded for at least \$50,000, and purchasing agent bond is set in the amount of \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office.

Condition:

During the course of our audit, we were provided bonds on only two principals.

Cause:

The cause of the above condition is primarily due to management noncompliance with Section 37-9-31, Miss. Code Ann. (1972).

Effect:

The District was not indemnified from certain potential losses.

Recommendation:

We recommend the district comply with Miss. Code Section 37-9-31 and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

Response:

The superintendent, board members, purchasing agent, and principals are bonded at the appropriate amounts and the bonds have been provided to the chancery clerk's office for the 2016-2017, 2018-2019 school years. Copies are on file in the superintendent's office. Procedures will be put in place to ensure the chancery clerk's office has properly filed these documents in compliance with MS Code Section 37-9-31.

Finding 3Criteria:

Section 27-105-5, Miss. Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that held by that depositor within 30 days of fiscal year end. The public depositor is also required to review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

Condition:

Per the audit procedures performed we noted no evidence that the annual report was submitted to the State Treasurer's Office, that it was prepared or that anyone was reviewing the accuracy of quarterly reports received from the State Treasurer's office.

Cause:

The cause of the above condition is primarily due to management not prioritizing adherence with state compliance.

Effect:

The district was not in compliance with the Section 27-105-5, Miss. Code Ann. (1972).

Recommendation:

We recommend the district comply with Section 27-105-5, Miss. Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. District personnel should also review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

Response:

The 2017-2018 public depositor report has been filed with the State Treasurer. Procedures will be put in place to ensure this report is filed on a timely basis in compliance with MS Code Section 27-105-5.

Finding 4Criteria:

Section 29-1-3(3), Miss Code Ann (1972) requires MS School Districts to file with the Secretary of State the new sixteenth section lease agreements.

Condition:

During our audit procedures we noted that the Secretary of State website did not reflect the lease agreements on file at the school district.

Cause:

The cause of the above condition is primarily due to lack of controls in place to ensure compliance with state requirements.

Effect:

The information submitted to the Secretary of State did not match the true rental amounts.

Recommendation:

The district should update the information on file with the Secretary of State to reflect accurate lease information. Changes in leases and new leases should be captured and forwarded to the Secretary of State on a regular basis.

Response:

One Sixteenth Section lease agreement (Roosevelt Jones) was not properly renewed the lease has been paying the same amount for the past four years. The Sixteenth Section Office of Secretary is aware of this situation and has advised the district to wait until the lease is renewed to properly renew lease. Procedures will be put in place to update the information on file with the Office of Secretary State compliance with Mississippi Code Section 29-1-3(3).

Finding 5Criteria:

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), requires the Mississippi School Districts to have on file a teacher cardholder agreement signed by each eligible teacher.

Condition:

During our audit procedures the school district was not able to provide all of the teacher cardholder agreements for EEF cards issued.

Cause:

Procedures were not in place to be followed and ensure compliance with state laws.

Effect:

The district was not in compliance with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

Recommendation:

The district should implement and follow procedures to ensure compliance with state laws.

Response:

The district will implement proper procedures to have on file a teacher cardholder agreement signed by each eligible teacher in compliance with the Mississippi Code Section 37-61-33(3)(a)(iii) beginning with the 2018-2019 school year.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
September 4, 2018

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Bolivar Consolidated School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Disclaimer of opinion.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

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

Material Weakness

Finding 2016-001

Criteria:

An effective system of internal controls is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

Condition:

During the course of our audit we found several discrepancies with the information provided on the accounting records and other internal control issues:

- (1) During the testwork of cash, we noted that payroll clearing and accounts payable clearing bank accounts had not been reconciled for the year. Failure to prepare accurate bank reconciliations could lead to misappropriation of assets and material misstatements that could go undetected by management.
- (2) During our test of receivables, we noted that receivables were not accurately recorded.
- (3) During our test of accounts payable, we noted that payables were not accurately recorded.
- (4) During our test of invoices, the district was unable to locate thirteen invoices, thirty invoices did not have a signature indicating receipt of goods, thirty-seven instances did not have approval of program director, thirty-six instances did not have approval of purchasing agent, fifteen instances where the purchase orders were dated after the invoices, and fifteen instances where the invoices were not paid within forty-five days.
- (5) During our test of capital assets, we noted instances where additions had not been capitalized.
- (6) During our test of payroll expenditures, we noted one employee did not have a contract and the district was unable to produce work keys or equivalent for assisted teachers.
- (7) During our test of revenue, we noted the school district failed to record donated commodities in the amount of \$56,771.

Cause:

This is the result of the school district not properly implementing an effective internal control system and maintaining the system.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, the district increases the risk that the financial statements will contain materially misstated accounts. These deficiencies resulted in a disclaimer of opinion on the financial statements.

Recommendation:

District should implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

Section III: Federal Awards Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

Significant Deficiency and Noncompliance**Finding 2016-002****U.S. Department of Agriculture**

Passed through the Mississippi Department of Education

Program Name: Child Nutrition Cluster

CFDA# 10.553, 10.555, and 10.559

Compliance Requirement: Cash Management

Criteria:

7 CFR Part 201.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month.

Condition:

During the course of our audit, the auditor found that three of the ten monthly cash requests tested were not submitted timely.

Context:

Of the 10 monthly cash requests, we examined ten and determined that three were not submitted timely.

Questioned Costs:

None.

Whether Sampling was Statistically Valid:

No.

Repeat Finding:

No.

Cause:

Lack of adequate controls were not in place to ensure monthly cash requests were submitted timely.

Effect:

Lack of adequate controls concerning the timely submission of the “Monthly Claims for Reimbursement - School Lunch and School Breakfast reports by the proper deadline could result in the district not receiving its federal reimbursement in a timely manner to cover the expenditures of the program.

Recommendation:

The school district should implement policies and procedures to ensure cash management requests are submitted within ten days of the following month so funds are received in a timely manner.

Views of Responsible Officials:

The food service director will ensure that monthly claims reporting will be filed by the 10th day of the month following the reporting month.

Significant Deficiency**Finding 2016-003****U.S. Department of Education**

Passed through the Mississippi Department of Education

Program Name: Title I Grants to Local Educational Agencies

CFDA# 84.010

Compliance requirement: Allowable Cost/Cost Principles

Criteria:

Management is responsible for establishing a proper internal control system to ensure adequate financial accountability and safeguarding of the federal program assets.

Condition:

The school district failed to include indirect costs in the grant budget.

Context:

During the course of the audit, we noted that the accounting system reflected indirect cost charges but the request for reimbursement did not reflect these charges.

Questioned Costs:

\$27,560.75

Whether Sampling was Statistically Valid:

No.

Repeat Finding:

No.

Cause:

Lack of adequate controls to ensure that the accounting system reflects the budget of the grant application.

Effect:

As a result, the school district is in noncompliance with the federal regulations and could result in repaying the Mississippi Department of Education for excess funds received during the year.

Recommendation:

The school district must develop policies and procedures to ensure that the accounting system reflects the federal budget.

Views of Responsible Officials:

The business manager will ensure that the accounting system reflects all indirect cost that is stated within the grant budget.

AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

North Bolivar Consolidated School District
201 Green Street
Mound Bayou, Mississippi 38763

Maurice Smith, Superintendent
Kenyatta McClain, Business Manager

AUDITEE' S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, the North Bolivar Consolidated School District has prepared and hereby submits the following corrective action plan for the findings included in the Scheduled of Findings and Questioned Cost of the year ended June 30, 2016.

Finding

Corrective Action Plan Details

2016-001

a. Name of Contact Person Responsible for Corrective Action

Name: Kenyatta McClain
Title: Business Manager
Phone Number: 662-339-3781

b. Corrective Action Planned:

- (1) The business manager will ensure payroll clearing and accounts payable clearing bank accounts are reconciled on a monthly basis, to provide a more accurate yearly reconciliation.
- (2) The business manager will ensure all receivables are accurately recorded.
- (3) The accounts payable clerk and business manager will ensure that the payables are accurately recorded.
- (4) The accounts payable clerk ensure all invoices are filed with the supporting documents. The purchasing agent will sign the invoice to ensure all goods are received. The program director and the business manager will ensure all purchase orders are reviewed and approved before processing. The business manager will ensure a valid purchase order can only be created by entering a requisition on an appropriately budgeted account. The District is notifying all vendors that no goods or services should be provided to North Bolivar Consolidated Schools District if they have not received a valid purchase order. Any vendor who provides goods or services without a valid purchase order is considered to have acted without the consent of the District and may not be compensated. The accounts payable clerks will initial and date

when received and payments will be submitted within 45 days of receipt.

- (5) The district will implement better controls of capital assets, by ensuring the proper adjustments are made in the accounting software. The district will perform two internal inventory audits, one in December and another at the end of the year to ensure all assets have been tagged with the assigned number from the software.
- (6) The payroll clerk and business manager will ensure all employees will have a contract and all other requirement equivalent for assistant teachers.
- (7) The food service director ensure all donated commodities are records and supporting documentation are maintained in accordance with local, state, and federal laws and policies.

c. Anticipated Completion Date: July 1, 2018

Finding

Corrective Action Plan Details

2016-002

a. Name of Contact Person Responsible for Corrective Action

Name: Kenyatta McClain
Title: Business Manager
Phone Number: 662-339-3781

b. Corrective Action Planned:

The food service director will ensure that monthly claims reporting will be filed by the 10th day of the month following the reporting month.

c. Anticipated Completion Date: January 1, 2019

Finding

Corrective Action Plan Details

2016-003

a. Name of Contact Person Responsible for Corrective Action

Name: Kenyatta McClain
Title: Business Manager
Phone Number: 662-339-3781

b. Corrective Action Planned:

The business manager will ensure that the accounting system reflects all indirect cost that is stated within the grant budget.

- c. Anticipated Completion Date: January 1, 2019



North Bolivar Consolidated School District
201 Green Street
Mound Bayou, Mississippi 38763

Maurice Smith, Superintendent
Kenyatta McClain, Business Manager

PRIOR YEAR AUDIT FINDINGS FOLLOW-UP

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, the North Bolivar Consolidated School District has prepared and hereby submits the following corrective action plan for the findings included in the Scheduled of Findings and Questioned Cost of the year ended June 30, 2016.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-001	Not Corrected (See Findings 2016-001)
2015-002	Corrected

