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BOONEVILLE SCHOOL DISTRICT

**Basic Financial Statements
For the Year Ended June 30, 2017**

BOONEVILLE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Booneville School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Booneville School District as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Booneville School District's basic financial statements as listed in the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Booneville School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-11, 43, 44, and 45, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Booneville School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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* (CFR) 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 been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 March 23, 2018, on our consideration of the Booneville 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 Booneville School District's internal control over financial reporting and compliance.

Okolona, Mississippi
March 23, 2018

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following discussion and analysis of Booneville School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$957,535, which represents a 23% decrease from fiscal year 2016. Total net position for 2016 decreased \$46,532, which represents a 1% decrease from fiscal year 2015.
- General revenues amounted to \$9,363,330 and \$9,108,045, or 80% and 78% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,383,655, or 20% of total revenues for 2017, and \$2,584,338, or 22% of total revenues for 2016.
- The District had \$12,704,520 and \$11,738,915 in expenses for fiscal years 2017 and 2016; only \$2,383,655 for 2017 and \$2,584,338 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,363,330 for 2017 were not adequate to provide for these programs and general revenues of \$9,108,045 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$9,617,434 in revenues and \$9,384,038 in expenditures for 2017, and \$9,312,255 in revenues and \$9,204,448 in expenditures in 2016. The General Fund's fund balance increased by \$201,093 from 2016 to 2017, and increased by \$52,348 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$339,342 for 2017 and decreased by \$336,185 for 2016. The decrease for 2017 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$398,704 for 2017 and decreased by \$457,196 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$4,606 for 2017 and decreased by \$3,967 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

Fund Financial Statements

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

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

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

two statements:

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* (CRR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,107,789 as of June 30, 2017.

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 1,852,604	\$ 884,243	109.51 %
Restricted assets	762,712	1,452,262	-47.48 %
Capital assets, net	10,506,238	10,845,580	(3.13) %
Total assets	13,121,554	13,182,085	(0.46) %
 Deferred outflows of resources	 4,138,281	 2,794,396	 48.09 %
 Current liabilities	 71,613	 48,556	 47.49 %
Long-term debt outstanding	4,193,337	4,592,041	(8.68) %
Net pension liability	17,933,947	14,832,287	20.91 %
Total liabilities	22,198,897	19,472,884	14.00 %
 Deferred inflows of resources	 168,727	 653,851	 (74.19) %
 Net position:			
Net investment in capital assets	6,496,503	6,542,033	(0.70) %
Restricted	1,327,243	1,272,582	4.30 %
Unrestricted	(12,931,535)	(11,964,869)	(8.08) %
Total net position	\$ (5,107,789)	\$ (4,150,254)	(23.07) %

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (12,931,535)
Effect of pension liability transactions	
Net pension liability	\$ 17,933,947
Deferred outflows of resources from pension obligations	(4,138,281)
Deferred inflows of resources from pension obligations	168,727
Unrestricted net position exclusive of the net pension liability effect	<u>\$ 1,032,858</u>

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

- Decrease in net capital assets in the amount of \$339,342.
- The principal retirement of \$459,939 of long-term debt coupled with the issuance of \$68,188 of new long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$11,746,985 and \$11,692,383, respectively. The total cost of all programs and services was \$12,704,520 for 2017 and \$11,738,915 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 671,487	\$ 660,932	1.60 %
Operating grants and contributions	1,712,168	1,923,406	(10.98) %
General revenues:			
Property taxes	2,126,226	2,055,931	3.42 %
Grants and contributions not restricted	7,037,735	6,873,432	2.39 %
Investment earnings	8,046	4,415	82.24 %
Other	191,323	174,267	9.79 %
Total revenues	11,746,985	11,692,383	0.47 %
Expenses:			
Instruction	6,278,573	6,103,735	2.86 %
Support services	3,542,927	3,729,805	(5.01) %
Non-instructional	500,884	538,742	(7.03) %
Pension Expense	2,291,969	1,278,742	79.24 %
Interest on long-term liabilities	90,167	87,891	2.59 %
Total expenses	12,704,520	11,738,915	8.23 %
Increase (Decrease) in net position	(957,535)	(46,532)	(1,957.80) %
Net Position, July 1	(4,150,254)	(4,103,722)	(1.13) %
Net Position, June 30	\$ (5,107,789)	\$ (4,150,254)	(23.07) %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, pension expense, and interest on long-term liabilities. The table also shows

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 6,278,573	\$ 6,103,735	2.86 %
Support services	3,542,927	3,729,805	(5.01) %
Non-instructional	500,884	538,742	(7.03) %
Pension Expense	2,291,969	1,278,742	79.24 %
Interest on long-term liabilities	90,167	87,891	2.59 %
Total expenses	\$ 12,704,520	\$ 11,738,915	8.23 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (5,043,562)	\$ (4,896,419)	3.01 %
Support services	(2,867,265)	(2,894,189)	(0.93) %
Non-instructional	(27,902)	2,664	(1,147.37) %
Pension Expense	(2,291,969)	(1,278,742)	79.24 %
Interest on long-term liabilities	(90,167)	(87,891)	2.59 %
Total net (expense) revenue	\$ (10,320,865)	\$ (9,154,577)	12.74 %

- Net cost of governmental activities (\$10,320,865 for 2017 and \$9,154,577 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$2,126,226 for 2017 and \$2,055,931 for 2016) and state and federal revenues (\$7,037,735 for 2017 and \$6,873,432 for 2016).
- Investment earnings amounted to \$8,046 for 2017 and \$4,415 for 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,582,757, an increase of \$278,115, which includes an increase in inventory of \$2,599. \$1,168,309 or 45% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

purposes within the general fund. The remaining fund balance of \$1,414,448 or 55% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$201,093. The fund balance of Other Governmental Funds showed a decrease in the amount of \$80,153, and an increase in reserve for inventory of \$2,599. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	\$ no increase or decrease
IDEA Part B Fund	no increase or decrease
QSCB Debt Retirement Fund	154,576

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$18,516,792, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$92,438 from 2016. Total accumulated depreciation as of June 30, 2017, was \$8,010,554, and total depreciation expense for the year was \$431,780, resulting in total net capital assets of \$10,506,238.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 526,486	\$ 491,486	7.12 %
Buildings	7,298,554	7,517,412	(2.91) %
Building improvements	1,790,377	1,879,896	(4.76) %
Improvements other than buildings	268,821	289,584	(7.17) %
Mobile equipment	532,010	587,916	(9.51) %
Furniture and equipment	89,990	79,286	13.50 %
Total	\$ 10,506,238	\$ 10,845,580	(3.13) %

BOONEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

Debt Administration. At June 30, 2017, the District had \$4,193,337 in outstanding long-term debt, of which \$391,788 is due within one year. The liability for compensated absences decreased \$4,606 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,245,000	\$ 1,475,000	(15.59) %
Bond Premiums	11,536	13,883	(16.91) %
Three mill notes payable	74,761	145,300	(48.55) %
Shortfall notes payable	97,954	97,922	0.03 %
Qualified school construction bonds payable	2,280,000	2,280,000	0.00 %
Other loans payable	398,439	489,683	(18.63) %
Compensated absences payable	85,647	90,253	(5.10) %
Total	\$ 4,193,337	\$ 4,592,041	(8.68) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Booneville School District, 201 N. First St, Booneville, MS 38829.

BASIC FINANCIAL STATEMENTS

**Booneville School District
Statement of Net Position
June 30, 2017**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,653,064
Due from other governments	183,906
Other receivables, net	69
Inventories	15,565
Restricted assets	762,712
Capital assets, non-depreciable:	
Land	526,486
Capital assets, net of accumulated depreciation:	
Buildings	7,298,554
Building improvements	1,790,377
Improvements other than buildings	268,821
Mobile equipment	532,010
Furniture and equipment	89,990
Total Assets	<u>13,121,554</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	4,138,281
Total deferred outflows of resources	<u>4,138,281</u>
Liabilities	
Accounts payable and accrued liabilities	32,559
Interest payable on long-term liabilities	39,054
Long-term liabilities, due within one year:	
Capital related liabilities	354,877
Non-capital related liabilities	36,911
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,643,322
Capital related bond premiums	11,536
Non-capital related liabilities	146,691
Net pension liability	17,933,947
Total Liabilities	<u>22,198,897</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	168,727
Total deferred inflows of resources	<u>168,727</u>
Net Position	
Net investment in capital assets	6,496,503
Restricted for:	
Expendable:	
School-based activities	404,654
Debt service	899,325
Unemployment benefits	23,264
Unrestricted	(12,931,535)
Total Net Position	<u>\$ (5,107,789)</u>

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

Booneville School District
Statement of Activities
For The Year Ended June 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,278,573	565,315	669,696	-	\$ (5,043,562)
Support services	3,542,927	2,995	672,667	-	(2,867,265)
Non-instructional	500,884	103,177	369,805	-	(27,902)
Pension Expense	2,291,969	-	-	-	(2,291,969)
Interest on long-term liabilities	90,167	-	-	-	(90,167)
Total Governmental Activities	<u>\$ 12,704,520</u>	<u>671,487</u>	<u>1,712,168</u>	<u>-</u>	<u>(10,320,865)</u>

General Revenues:

Taxes:

 General purpose levies 1,739,020

 Debt purpose levies 387,206

Unrestricted grants and contributions:

 State 6,970,556

 Federal 67,179

Unrestricted investment earnings 8,046

Other 191,323

 Total General Revenues 9,363,330

Change in Net Position (957,535)

Net Position - Beginning (4,150,254)

Net Position - Ending \$ (5,107,789)

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

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 1,070,838	-	-	-	582,226	\$ 1,653,064
Cash with fiscal agents	-	-	-	762,712	-	762,712
Due from other governments	89,964	57,185	19,835	-	16,922	183,906
Due from other funds	80,487	-	-	-	-	80,487
Inventories	-	-	-	-	15,565	15,565
Total assets	\$ 1,241,289	57,185	19,835	762,712	614,713	\$ 2,695,734
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 24,829	-	-	-	7,730	\$ 32,559
Due to other funds	-	57,185	19,835	-	3,398	80,418
Total Liabilities	24,829	57,185	19,835	-	11,128	112,977
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	15,436	15,436
Restricted:						
Debt service	-	-	-	762,712	175,667	938,379
Grant activities	-	-	-	-	389,218	389,218
Unemployment benefits	-	-	-	-	23,264	23,264
Assigned:						
Activity funds	48,151	-	-	-	-	48,151
Unassigned	1,168,309	-	-	-	-	1,168,309
Total Fund Balances	1,216,460	-	-	762,712	603,585	2,582,757
Total Liabilities and Fund Balances	\$ 1,241,289	57,185	19,835	762,712	614,713	\$ 2,695,734

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

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2017

Total fund balances for governmental funds	\$	2,582,757
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$	526,486	
Buildings		13,383,048	
Building improvements		2,237,972	
Improvements other than buildings		519,069	
Mobile equipment		1,258,994	
Furniture and equipment		591,223	
Accumulated depreciation		<u>(8,010,554)</u>	10,506,238

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

Net pension liability		(17,933,947)	
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions		4,138,281	
Deferred inflows of resources related to pensions		<u>(168,727)</u>	(13,964,393)

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

General obligation bonds	\$	(1,245,000)	
Limited obligation bonds		(2,354,760)	
Notes payable		(496,394)	
Compensated absences		(85,647)	
Unamortized premiums		(11,536)	
Accrued interest payable		<u>(39,054)</u>	(4,232,391)

Net position of governmental activities	\$	<u>(5,107,789)</u>
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The accompanying notes to financial statements are an integral part of these financial statements.

Exhibit D

Booneville School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2017

	Major Funds					
	General Fund	Title I Fund	IDEA Part B Fund	QSCB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 2,498,892	-	-	-	498,190	\$ 2,997,082
State sources	7,051,363	-	-	-	553,772	7,605,135
Federal sources	67,179	337,776	263,029	-	476,784	1,144,768
Total Revenues	9,617,434	337,776	263,029	-	1,528,746	11,746,985
Expenditures:						
Instruction	6,161,213	286,228	108,040	-	173,962	6,729,443
Support services	3,043,004	51,548	150,661	-	462,107	3,707,320
Noninstructional services	69,716	-	-	-	468,086	537,802
Facilities acquisition and construction	35,000	-	-	-	-	35,000
Debt service:						
Principal	39,271	-	-	-	420,668	459,939
Interest	33,786	-	-	-	32,119	65,905
Other	2,048	-	-	-	2,200	4,248
Total Expenditures	9,384,038	337,776	258,701	-	1,559,142	11,539,657
Excess (Deficiency) of Revenues over (under) Expenditures	233,396	-	4,328	-	(30,396)	207,328
Other Financing Sources (Uses):						
Bonds and notes issued	68,188	-	-	-	-	68,188
Payment held by QSCB escrow agent	-	-	-	154,576	-	154,576
Payment to QSCB bond escrow agent	(104,576)	-	-	-	(50,000)	(154,576)
Operating transfers in	4,636	-	-	-	551	5,187
Operating transfers out	(551)	-	(4,328)	-	(308)	(5,187)
Total Other Financing Sources (Uses)	(32,303)	-	(4,328)	154,576	(49,757)	68,188
Net Change in Fund Balances	201,093	-	-	154,576	(80,153)	275,516
Fund Balances:						
July 1, 2016, as previously reported	1,015,367	-	-	608,136	681,139	2,304,642
Increase (Decrease) in reserve for inventory	-	-	-	-	2,599	2,599
June 30, 2017	\$ 1,216,460	-	-	762,712	603,585	\$ 2,582,757

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

Booneville School District
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 275,516**

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

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

Capital outlay	\$ 92,438	
Depreciation expense	(431,780)	(339,342)

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(68,188)	
Payments of debt principal	464,545	
Accrued interest payable	(22,361)	373,996

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

Change in inventory reserve	2,599	
Amortization of deferred charges, premiums, and discounts	2,347	4,946

- 4 Pension contributions made subsequent to the measurement date are presented using the current financial resources measurement in the governmental funds, while pension contributions made during the measurement period are shown in the statement of activities. In the current period the difference between the governmental funds and the statement of activities is:

Pension expense for the current year	(2,291,969)	
Pension contributions made subsequent to the measurement date	1,019,318	(1,272,651)

Change in net position of governmental activities **\$ (957,535)**

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

Booneville School District
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 440,222
Total Assets	<u>\$ 440,222</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 369,327
Due to other funds	69
Due to student clubs	70,826
Total Liabilities	<u>\$ 440,222</u>

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

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Booneville since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Booneville 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. The effect of inter-fund activity has been eliminated from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Title I Fund – This is a special revenue fund that accounts for the revenue and expenditures of the federal Title I program.

IDEA Part B Fund – This is a special revenue fund that accounts for the revenue and expenditures of the special education program.

QSCB Debt Retirement Fund – This is a debt service fund that accounts for the repayment of the district's qualified school construction bond.

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 school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Activity/Agency Funds – These various funds account for the monies raised through school club activities and fundraisers and club related expenditures approved by the individual clubs.

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, 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.

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.

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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, e.g. Qualified Zone Academy Bond sinking funds. Also, unspent proceeds from the issuance of long-term debt are also classified as restricted assets.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental 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.

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources are related to the district's long-term pension obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources are related to the district's long-term pension obligations.

See Note 7 and Note 13 for further details.

8. Compensated Absences

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

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

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

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

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

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

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects) bond sinking funds (Debt Service Funds) 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 \$1,653,064 and \$440,222, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$2,367,014 was exposed to custodial credit risk.

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 2 – Cash and Cash Equivalents, and Cash with Fiscal Agents (Continued)

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$762,712.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 57,185
General Fund	IDEA Part B Fund	19,835
General Fund	Other Governmental Funds	3,398
General Fund	Fiduciary Funds	69
		<u>\$ 80,487</u>

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 551
IDEA Part B Fund	General Fund	4,328
Other governmental funds	General Fund	308
		<u>\$ 5,187</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance totaling \$762,712 of the QSCB Bond Retirement Fund.

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 491,486	\$ 35,000	\$ -	\$ 526,486
Total non-depreciable capital assets	491,486	35,000	-	526,486
<u>Depreciable capital assets:</u>				
Buildings	13,383,048			13,383,048
Building improvements	2,237,972			2,237,972
Improvements other than buildings	519,069			519,069
Mobile equipment	1,235,205	23,789		1,258,994
Furniture and equipment	557,574	33,649		591,223
Total depreciable capital assets	17,932,868	57,438	-	17,990,306
<u>Less accumulated depreciation for:</u>				
Buildings	5,865,636	218,858		6,084,494
Building improvements	358,076	89,519		447,595
Improvements other than buildings	229,485	20,763		250,248
Mobile equipment	647,289	79,695		726,984
Furniture and equipment	478,288	22,945		501,233
Total accumulated depreciation	7,578,774	431,780	-	8,010,554
Total depreciable capital assets, net	10,354,094	(374,342)	-	9,979,752
Governmental activities capital assets, net	\$ 10,845,580	\$ (339,342)	\$ -	\$ 10,506,238

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 245,490
Support services	179,606
Non-instructional	6,684
Total depreciation expense-governmental activities	\$ 431,780

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Long-term Liabilities

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

Description	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 1,475,000	\$ -	\$ 230,000	\$ 1,245,000	\$ 235,000
B. Three mill notes payable	145,300	-	70,539	74,761	74,761
D. Shortfall notes payable	97,922	68,188	68,156	97,954	36,911
E. Qualified school construction bonds	2,280,000	-	-	2,280,000	-
F. Other loans payable	489,683	-	91,244	398,439	45,116
G. Compensated absences payable	90,253	-	4,606	85,647	-
Total	4,578,158	68,188	464,545	4,181,801	391,788
Premiums	13,883	-	2,347	11,536	-
Total	4,592,041	68,188	466,892	4,193,337	391,788

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2012	2.0-2.5%	5/10/2012	6/30/2022	\$ 2,345,000	1,245,000
Total				\$ 2,345,000	1,245,000

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

1. General obligation bonds, Series 2012

Year Ending June 30	Principal	Interest	Total
2018	\$ 235,000	28,125	263,125
2019	240,000	23,425	263,425
2020	250,000	18,625	268,625
2021	255,000	13,000	268,000
2022	265,000	6,625	271,625
Total	\$ 1,245,000	89,800	1,334,800

This debt will be retired from the Bond Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Long-term Liabilities – Continued

such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2017.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill limited tax note, Series 2008	5.95%	2/19/2008	9/01/2017	\$ 600,000	74,761
Total				<u>\$ 600,000</u>	<u>74,761</u>

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

1. Three mill limited tax note, Series 2008

Year Ending June 30	Principal	Interest	Total
2018	74,761	4,448	79,209
Total	<u>\$ 74,761</u>	<u>4,448</u>	<u>79,209</u>

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

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall Note - 2016	2.55%	09/24/15	09/24/18	\$ 44,085	29,766
2. Shortfall Note - 2017	2.28%	09/14/16	10/14/19	68,188	68,188
Total				<u>\$ 112,273</u>	<u>97,954</u>

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

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Long-term Liabilities – Continued

1. Shortfall Note - 2016

Year Ending June 30	Principal	Interest	Total
2018	\$ 14,692	759	15,451
2019	15,074	384	15,458
Total	<u>\$ 29,766</u>	<u>1,143</u>	<u>30,909</u>

This debt will be retired from the District Maintenance Fund.

2. Shortfall Note - 2017

Year Ending June 30	Principal	Interest	Total
2018	\$ 22,219	1,555	23,774
2019	22,725	1,048	23,773
2020	23,244	530	23,774
Total	<u>\$ 68,188</u>	<u>3,133</u>	<u>71,321</u>

This debt will be retired from the District Maintenance Fund.

Total Shortfall notes:

Year Ending June 30	Principal	Interest	Total
2018	\$ 36,911	2,314	39,225
2019	37,799	1,432	39,231
2020	23,244	530	23,774
Total	<u>\$ 97,954</u>	<u>4,276</u>	<u>102,230</u>

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds payable, Series 2012	5.75%	6/30/2011	12/1/2026	\$ 2,280,000	2,280,000
Total				<u>\$ 2,280,000</u>	<u>2,280,000</u>

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

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Long-term Liabilities – Continued

Qualified School Construction Bonds Payable

Year Ending June 30	Principal	Interest	Total
2018	\$	131,100	131,100
2019		131,100	131,100
2020		131,100	131,100
2021		131,100	131,100
2022		131,100	131,100
2023-2027	2,280,000	1,311,000	3,591,000
Total	\$ 2,280,000	1,966,500	4,246,500

This debt will be retired from the QSCB Debt Retirement Fund.

E. Other loans notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Note Payable - Bus Purchases	2.77%	06/16/15	06/15/25	\$ 485,000	398,439
Total				\$ 485,000	398,439

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

1. Note Payable - Bus Purchases

Year Ending June 30	Principal	Interest	Total
2018	\$ 45,116	11,190	56,306
2019	46,383	9,923	56,306
2020	47,662	8,644	56,306
2021	49,024	7,282	56,306
2022	50,401	5,905	56,306
2023-2026	159,853	9,069	168,922
Total	\$ 398,439	52,013	450,452

This debt will be retired from the District Maintenance Fund.

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Long-term Liabilities – Continued

G. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,019,318, \$1,011,609 and \$944,140, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$17,933,947 for its proportionate share of the

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Defined Benefit Pension Plan - Continued

net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.1004 percent, which was based on a measurement date of June 30, 2016. This was an increase/decrease of 0.0044 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,291,969. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 490,333	\$
Net difference between projected and actual earnings on pension plan investments	1,237,769	-
Changes of assumptions	807,990	47,656
Changes in proportion and differences between the District's contributions and proportionate share of overall contributions	582,871	121,071
District's contributions subsequent to the measurement date	1,019,318	
Total	<u>\$ 4,138,281</u>	<u>\$ 168,727</u>

\$1,019,318 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ 992,264
2019	891,453
2020	712,233
2021	354,286
Total	<u>2,950,236</u>

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Defined Benefit Pension Plan - Continued

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Defined Benefit Pension Plan - Continued

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 22,995,341	\$ 17,933,947	\$ 13,734,631

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 8 – 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 9 – 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 members' 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 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. [The district has not had an additional assessment for excess losses incurred by the pool.]

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 10 – Qualified School Construction Bonds

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

When that stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to \$109,743.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$762,712. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending		
June 30	Amount	Total
2018	\$ 152,000	152,000
2019	152,000	152,000
2020	152,000	152,000
2021	152,000	152,000
2022	152,000	152,000
2023-2027	608,000	608,000
Total	\$ 1,368,000	1,368,000

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 11 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 1995, creating the Northeast Mississippi Alternative Education Cooperative (NEMRAEC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Booneville School District, Baldwin School District, and Prentiss County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Booneville School District has been designated as the lead school district for the NEMRAEC, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures, and Changes in Fund Balance is presented to detail the financial activity of the Northeast Mississippi Regional Alternative Education Cooperative.

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

Revenues:

Local sources	
Tuition from other LEA's within the state:	
Baldwyn School District	\$ 128,302
Prentiss County School District	128,755
Total tuition from other LEA's within the state	<u>257,057</u>
Other local sources	283
Total revenues	<u>257,340</u>

Expenditures:

Salaries	271,481
Employee benefits	83,668
Purchased property	21,197
Supplies	1,814
Other	1,695
Total expenditures	<u>379,855</u>
Excess (deficiency) of revenues over expenditures	<u>(122,515)</u>

Other Financing Sources (Uses):

Other transfers in	116,075
Total other financing sources (uses)	<u>116,075</u>

Net change in fund balance	<u>(6,440)</u>
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Fund Balance:

July 1, 2016	44,334
June 30, 2017	<u>\$ 37,894</u>

BOONEVILLE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 12 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 1, 1984, creating the Prentiss County Vocational Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Booneville School District and the Prentiss County School District.

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

The Prentiss County School District has been designated as the fiscal agent for the Prentiss County Vocational Center, and the operations of the consortium are included in its financial statements.

Note 13 – Effects of Deferred Amounts on Net Position

The unrestricted net position amount of \$(12,931,535) includes the effect of deferring the recognition of expenses resulting from the deferred outflow from pensions. The \$4,138,281 balance of deferred outflows of resources at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(12,931,535) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$168,727 balance of deferred inflow of resources at June 30, 2017 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

Please reference Note 7 for details on amortization of deferred outflows/inflows related to pensions.

Note 14 – 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 Booneville School District evaluated the activity of the district through March 23, 2018, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Booneville School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,729,757	\$ 2,568,750	\$ 2,498,892	\$ (161,007)	\$ (69,858)
State sources	7,128,912	7,051,363	7,051,363	(77,549)	-
Federal sources	34,000	67,179	67,179	33,179	-
Total Revenues	9,892,669	9,687,292	9,617,434	(205,377)	(69,858)
Expenditures:					
Instruction	6,509,581	6,272,680	6,161,213	236,901	111,467
Support services	3,191,052	2,994,288	3,043,004	196,764	(48,716)
Noninstructional services	159,035	69,716	69,716	89,319	-
Facilities acquisition and construction	-	83,716	35,000	(83,716)	48,716
Debt service:					
Principal	-	105,847	39,271	(105,847)	66,576
Interest	-	33,786	33,786	(33,786)	-
Other	-	2,048	2,048	(2,048)	-
Total Expenditures	9,859,668	9,562,081	9,384,038	297,587	178,043
Excess (Deficiency) of Revenues over (under) Expenditures	33,001	125,211	233,396	92,210	108,185
Other Financing Sources (Uses):					
Bonds and notes issued	-	68,188	68,188	68,188	-
Payment to QSCB escrow agent	-	-	(104,576)	-	(104,576)
Operating transfers in	4,999	4,636	4,636	(363)	-
Operating transfers out	(38,000)	(34,632)	(551)	3,368	34,081
Total Other Financing Sources (Uses)	(33,001)	38,192	(32,303)	71,193	(70,495)
Net Change in Fund Balances	-	163,403	201,093	163,403	37,690
Fund Balances:					
June 30, 2016	1,015,367	1,015,367	1,015,367	-	-
June 30, 2017	\$ 1,015,367	\$ 1,178,770	\$ 1,216,460	\$ 163,403	\$ 37,690

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

Booneville School District
Required Supplementary Information
Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	344,229	337,776	337,776	(6,453)	-
Total Revenues	344,229	337,776	337,776	(6,453)	-
Expenditures:					
Instruction	287,140	286,228	286,228	912	-
Support services	52,400	51,548	51,548	852	-
Noninstructional services	100	-	-	100	-
Total Expenditures	339,640	337,776	337,776	1,864	-
Excess (Deficiency) of Revenues over (under) Expenditures	4,589	-	-	(4,589)	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(4,589)	-	-	4,589	-
Total Other Financing Sources (Uses)	(4,589)	-	-	4,589	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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

Booneville School District
Required Supplementary Information
Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	279,211	263,029	263,029	(16,182)	-
Total Revenues	279,211	263,029	263,029	(16,182)	-
Expenditures:					
Instruction	126,803	108,040	108,040	18,763	-
Support services	147,580	150,661	150,661	(3,081)	-
Noninstructional services	500	-	-	500	-
Total Expenditures	274,883	258,701	258,701	16,182	-
Excess (Deficiency) of Revenues over (under) Expenditures	4,328	4,328	4,328	-	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(4,328)	(4,328)	(4,328)	-	-
Total Other Financing Sources (Uses)	(4,328)	(4,328)	(4,328)	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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

Booneville School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1004%	0.9600%	0.0944%
District's proportionate share of the net pension liability (asset)	\$ 17,933,947	14,832,287	11,455,397
District's covered payroll	\$ 6,422,914	5,994,540	5,766,813
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	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.

Booneville School District
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required obligation	\$ 1,019,318	1,011,609	944,140
Contribution in relation to the contractually required contribution	1,019,318	1,011,609	944,140
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	6,471,860	6,422,914	5,994,540
Contributions as a percentage of its covered payroll	15.75%	15.75%	15.75%

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

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

BOONEVILLE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

BOONEVILLE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

Booneville School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 97,157
National school lunch program	10.555	320,959
Total child nutrition cluster		418,116
Total passed-through Mississippi Department of Education		418,116
Total U.S. Department of Agriculture		418,116
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	337,776
Improving teacher quality - state grants	84.367	47,219
Subtotal		384,995
Special education cluster:		
Special education - grants to states	84.027	263,029
Special education - preschool grants	84.173	11,448
Total special education cluster		274,477
Total passed-through Mississippi Department of Education		659,472
Total U.S. Department of Education		659,472
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	39,297
Total U.S. Department of Health and Human Services		39,297
Total for All Federal Awards		\$ 1,116,885

-

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Booneville School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 8,741,107	6,818,618	498,114	662,634	761,741
Other	2,798,550	1,093,523	102,387	11,968	1,590,672
Total	<u>\$ 11,539,657</u>	<u>7,912,141</u>	<u>600,501</u>	<u>674,602</u>	<u>2,352,413</u>
Total number of students *	<u>1,326</u>				
Cost per student	<u>\$ 8,703</u>	<u>5,967</u>	<u>453</u>	<u>509</u>	<u>1,774</u>

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

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

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

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

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

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

BOONEVILLE SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of Monroe County School District under programs of the federal and state governments for the year ended June 30, 2017. The schedule presents only a selected portion of the operations of Monroe County School District and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

(2) Basis of Accounting

The schedule is prepared on the same basis of accounting as Monroe County School District's financial statements. The District uses the current financial resource measurement focus and the modified accrual basis of accounting.

(3) Program Costs

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principles contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

(4) Noncash Awards – Commodities

The amount of commodities reported on the schedule of expenditures of federal awards is the value of commodities received by the district and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$34,853.

(5) Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

Booneville School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 2,498,892	\$ 2,375,802	\$ 2,196,975	\$ 2,200,234
State sources	7,051,363	6,900,819	6,400,902	6,152,213
Federal sources	67,179	35,634	37,983	29,552
Total Revenues	9,617,434	9,312,255	8,635,860	8,381,999
Expenditures:				
Instruction	6,161,213	5,997,589	5,469,291	5,411,733
Support services	3,043,004	2,984,456	3,581,265	2,925,749
Noninstructional services	69,716	94,147	68,109	79,070
Facilities acquisition and construction	35,000	-	138,750	-
Debt service:				
Principal	39,271	88,862	44,955	-
Interest	33,786	37,346	25,537	21,711
Other	2,048	2,048	2,048	2,048
Total Expenditures	9,384,038	9,204,448	9,329,955	8,440,311
Excess (Deficiency) of Revenues over (under) Expenditures	233,396	107,807	(694,095)	(58,312)
Other Financing Sources (Uses):				
Bonds and notes issued	68,188	44,085	515,584	295,691
Payment to QSCB debt escrow agent	(104,576)	(101,994)	(86,996)	(151,997)
Operating transfers in	4,636	8,036	9,941	6,028
Operating transfers out	(551)	(5,586)	(10,921)	-
Total Other Financing Sources (Uses)	(32,303)	(55,459)	427,608	149,722
Net Change in Fund Balances	201,093	52,348	(266,487)	91,410
Fund Balances:				
Beginning of period, as previously reported	1,015,367	963,019	1,229,506	1,290,096
Prior period adjustments	-	-	-	(152,000)
Beginning of period	1,015,367	963,019	1,229,506	1,138,096
End of Period	\$ 1,216,460	\$ 1,015,367	\$ 963,019	\$ 1,229,506

*SOURCE - PRIOR YEAR AUDIT REPORTS

Booneville School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 2,997,082	\$ 2,895,544	\$ 2,733,114	\$ 2,708,889
State sources	7,605,135	7,624,029	7,131,493	7,614,150
Federal sources	1,144,768	1,172,810	1,086,726	924,617
Total Revenues	11,746,985	11,692,383	10,951,333	11,247,656
Expenditures:				
Instruction	6,729,443	6,549,987	6,023,395	5,839,820
Support services	3,707,320	3,920,465	4,374,000	4,381,300
Noninstructional services	537,802	578,626	541,745	538,980
Facilities acquisition and construction	35,000	-	138,750	-
Debt service:				
Principal	459,939	494,967	409,014	303,339
Interest	65,905	92,126	90,566	91,324
Other	4,248	4,248	4,148	4,062
Total Expenditures	11,539,657	11,640,419	11,581,618	11,158,825
Excess (Deficiency) of Revenues over (under) Expenditures	207,328	51,964	(630,285)	88,831
Other Financing Sources (Uses):				
Bonds and notes issued	68,188	44,085	515,584	295,691
Payment held by QSCB escrow agent	154,576	151,994	151,996	151,997
Payment to QSCB bond escrow agent	(154,576)	(151,994)	(151,996)	(151,997)
Operating transfers in	5,187	13,622	20,862	6,028
Operating transfers out	(5,187)	(13,622)	(20,862)	(6,028)
Total Other Financing Sources (Uses)	68,188	44,085	515,584	295,691
Net Change in Fund Balances	275,516	96,049	(114,701)	384,522
Fund Balances:				
Beginning of period	2,304,642	2,211,189	2,325,764	1,945,344
Increase (Decrease) in reserve for inventory	2,599	(2,596)	126	(4,102)
End of Period	\$ 2,582,757	\$ 2,304,642	\$ 2,211,189	\$ 2,325,764

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
Booneville School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Booneville School District as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Booneville School District's basic financial statements, and have issued our report thereon dated March 23, 2018.

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.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Booneville 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*.

Booneville School District's Response to Findings

The Booneville School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Booneville 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.

Okolona, Mississippi
March 23, 2018

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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

Superintendent and School Board
Booneville School District

Report on Compliance for Each Major Federal Program

We have audited the Booneville 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 each of the Booneville School District's major federal programs for the year ended June 30, 2017. The Booneville School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Booneville School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Booneville School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Booneville School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Booneville School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Booneville 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 Booneville Separate School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified two certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as findings 2017-002 and 2017-003 to be material weaknesses.

Booneville School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Booneville 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.

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.

Okolona, Mississippi
March 23, 2018

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
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Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
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Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Booneville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Booneville School District as of and for the year ended June 30, 2017, which collectively comprise Booneville School District's basic financial statements and have issued our report thereon dated March 23, 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 no instances of noncompliance.

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.

Okolona, Mississippi
March 23, 2018

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BOONEVILLE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 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? | Yes |
| b. | Significant deficiency (ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 10.553, 10.555 | Child Nutrition Cluster |
| | 84.010 | Title I |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

BOONEVILLE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

Significant deficiencies, considered to be material weaknesses

2017-001

Condition

During the testing of the district's receipts, it was noted that activity fund receipts at the individual schools were being held for multiple days before bank deposit, and several receipts were not deposited in a timely manner.

This is a repeat finding from fiscal year ending June 30, 2016.

Criteria

Management is responsible for implementing proper controls over activity fund cash and receipts to insure deposits are made in a timely manner.

Cause of condition

The schools where activity fund receipts are collected have been holding the cash for three days or more before the bank deposit.

Effect of condition

If the district does not have proper controls in place to ensure de-centralized activity fund receipts are deposited in a timely manner, it could result in loss or misappropriation of the district's activity funds.

Recommendation

The district should put controls in place to ensure that the schools' activity fund receipts are deposited in a timely manner, not held at the schools for multiple days.

Auditee Response

The district will implement procedures to ensure all activity fund receipts are deposited in a timely manner.

Section III: Federal Award Findings and Questioned Costs

Material weakness in internal control over compliance

2017-002

Programs: Child Nutrition Cluster – CFDA# 10.553, 10.555

Criteria

The school district is required to submit a claim for reimbursement to the State Department of Education's Office of Child Nutrition by the 10th day after the end of each month in order to be entitled to reimbursement. Any reimbursement submitted later than 60 days following the last day of the full month covered by the claim shall not be paid.

Condition

On several occasions, the school district filed the claim for reimbursement after the 10th day.

Cause of Condition

On several occasions, the school district filed the claim for reimbursement after the 10th day.

BOONEVILLE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Effect of Condition

By filing the claim late, the reimbursement could be delayed or denied.

Recommendation

In the future, care should be taken in order to file the claims for reimbursement by the 10th of each month.

2017-003

Programs: Title I – CFDA# 84.010

Criteria

The school district is required to maintain a 22 to 1 student teacher ratio for the kindergarten class, except in instances in which a full-time district paid assistant teacher is in the classroom. Title I funded teacher assistants cannot be included when determining compliance with this state standard.

Condition

Title I funded assistant teachers were used to determine compliance with state standards.

Cause of Condition

When Title I funded assistant teachers are used to maintain student/teacher ratios, the school district is supplanting state and local funds instead of supplementing.

Effect of Condition

When federally funded teacher assistants are used to meet the 22 to 1 student teacher ratio in the kindergarten class, the federally funded teacher assistant becomes an un-allowed cost.

Recommendation

The school district must adhere to its policies and procedures for calculating student teacher ratios to ensure federal fund are used to supplement and not supplant state and local funds when funding teacher/assistant salaries.

Booneville School District

662-728-2171
662-728-4940 (Fax)

201 N. First Street
Booneville, MS 38829

AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

As required by 2 CFR 200.516(a), the Booneville School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2017:

<u>Finding</u>	<u>Status</u>
2016-001	Corrected in 2018 fiscal year
2016-002	Corrected in 2017 fiscal year

AUDITEE'S CORRECTIVE ACTION PLAN

Booneville School District

662-728-2171
662-728-4940 (Fax)

201 N. First Street
Booneville, MS 38829

AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.516(a), the Booneville School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Finding and Questioned Costs for the year ended June 30, 2017.

Finding 2017-001

Name of Contact Person Responsible for Corrective Action

Todd English and Monte Lambert

Corrective Action Planned

The district will implement procedures to ensure all activity fund receipts are deposited to the bank in a timely manner.

Completion Date

This was a repeat finding from the 2016 fiscal year. The district anticipates a successful implementation of this corrective action plan in August 2018.

Finding 2017-002

Name of Contact Person Responsible for Corrective Action

Todd English and Monte Lambert

Corrective Action Planned

The district will implement procedures to ensure timely submissions.

Completion Date

The district anticipates a successful implementation of this corrective action plan in August 2018.

Finding 2017-003

Name of Contact Person Responsible for Corrective Action

Todd English and Monte Lambert

Corrective Action Planned

The district will implement procedures to maintain the correct student/teacher ratios.

Completion Date

The district anticipates a successful implementation of this corrective action plan in August 2018.