

Booneville School District No. 65

Logan County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE



BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
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Arkansas

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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Booneville School District No. 65 and School Board Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Booneville School District No. 65 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2017, or the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Capital Assets, and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
January 31, 2018
EDSD22317

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Lance Eads
Senate Vice Chair



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Rep. Richard Womack
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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Booneville School District No. 65 and School Board Members
Legislative Joint Auditing Committee

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 each major governmental fund and the aggregate remaining fund information of the Booneville School District No. 65 (the "District"), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 31, 2018. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the 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 regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and 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*.

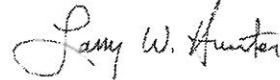
District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the regulatory basis 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 31, 2018

Arkansas

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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Booneville School District No. 65 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Booneville School District No. 65 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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

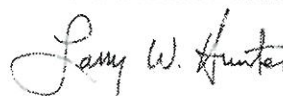
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The 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.

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 31, 2018

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2017

Exhibit A

	Governmental Funds			
	Major			Fiduciary
	General	Special Revenue	Other Aggregate	Fund Types
ASSETS				
Cash	\$ 1,640,291	\$ 89,708	\$ 1,576,548	\$ 83,699
Investments	441,397		366,860	86,147
Accounts receivable	3,399	44,730	666	89
TOTAL ASSETS	\$ 2,085,087	\$ 134,438	\$ 1,944,074	\$ 169,935
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 88,590	\$ 14,084		\$ 7,790
Due student groups				75,122
Total Liabilities	88,590	14,084		82,912
Fund Balances:				
Nonspendable				85,825
Restricted	121,857	120,354	\$ 684,532	1,198
Assigned	29,659		1,259,542	
Unassigned	1,844,981			
Total Fund Balances	1,996,497	120,354	1,944,074	87,023
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,085,087	\$ 134,438	\$ 1,944,074	\$ 169,935

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

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 3,235,621		
State assistance	7,613,355	\$ 5,459	
Federal assistance	19,535	1,758,839	
Activity revenues	84,443		
Meal sales		76,179	
Investment income	13,985		\$ 4,974
Other revenues	99,339		
TOTAL REVENUES	11,066,278	1,840,477	4,974
EXPENDITURES			
Regular programs	4,556,535	291,972	
Special education	626,343	172,172	
Career education programs	393,635	8,395	
Compensatory education programs	51,602	378,947	
Other instructional programs	376,295		
Student support services	405,385	87,493	
Instructional staff support services	374,702	92,819	
General administration support services	247,836	84,892	
School administration support services	549,559		
Central services support services	318,324		
Operation and maintenance of plant services	1,303,360		
Student transportation services	582,255		
Other support services	79,686		
Food services operations	56,966	774,348	
Community services operations		394	
Facilities acquisition and construction services	9,000		
Activity expenditures	82,629		
Debt Service:			
Principal retirement			325,000
Interest and fiscal charges			389,547
Net debt issuance costs			40,847
TOTAL EXPENDITURES	10,014,112	1,891,432	755,394
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,052,166	(50,955)	(750,420)
OTHER FINANCING SOURCES (USES)			
Transfers in			1,879,809
Transfers out	(1,879,809)		
Proceeds from refunding bond issue			1,250,000
Payment to refunding bond escrow agent			(1,204,790)
TOTAL OTHER FINANCING SOURCES (USES)	(1,879,809)		1,925,019
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(827,643)	(50,955)	1,174,599
FUND BALANCES - JULY 1	2,824,140	171,309	769,475
FUND BALANCES - JUNE 30	\$ 1,996,497	\$ 120,354	\$ 1,944,074

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

BOONEVILLE SCHOOL DISTRICT NO. 65

LOGAN COUNTY, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit C

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 3,049,234	\$ 3,235,621	\$ 186,387			
State assistance	7,654,779	7,613,355	(41,424)	\$ 5,115	\$ 5,459	\$ 344
Federal assistance	27,275	19,535	(7,740)	1,967,595	1,758,839	(208,756)
Activity revenues	350,666	84,443	(266,223)			
Meal sales				38,896	76,179	37,283
Investment income	12,580	13,985	1,405			
Other revenues	7,038	99,339	92,301			
TOTAL REVENUES	11,101,572	11,066,278	(35,294)	2,011,606	1,840,477	(171,129)
EXPENDITURES						
Regular programs	4,761,018	4,556,535	204,483	277,990	291,972	(13,982)
Special education	630,593	626,343	4,250	171,992	172,172	(180)
Career education programs	402,445	393,635	8,810	8,000	8,395	(395)
Compensatory education programs	55,230	51,602	3,628	580,013	378,947	201,066
Other instructional programs	408,603	376,295	32,308			
Student support services	417,046	405,385	11,661	104,969	87,493	17,476
Instructional staff support services	406,788	374,702	32,086	171,063	92,819	78,244
General administration support services	240,455	247,836	(7,381)	86,944	84,892	2,052
School administration support services	536,512	549,559	(13,047)			
Central services support services	297,146	318,324	(21,178)			
Operation and maintenance of plant services	1,114,978	1,303,360	(188,382)			
Student transportation services	658,632	582,255	76,377			
Other support services	80,224	79,686	538			
Food services operations		56,966	(56,966)	769,524	774,348	(4,824)
Community services operations		9,000	(9,000)	5,000	394	4,606
Facilities acquisition and construction services		82,629	268,037	9,000		9,000
Activity expenditures	350,666					
TOTAL EXPENDITURES	10,360,336	10,014,112	346,224	2,184,495	1,891,432	293,063

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 741,236	\$ 1,052,166	\$ 310,930	\$ (172,889)	\$ (50,955)	\$ 121,934
OTHER FINANCING SOURCES (USES)						
Transfers in	13,772,703		(13,772,703)	95,936		(95,936)
Transfers out	(14,604,841)	(1,879,809)	12,725,032	(67,068)		67,068
TOTAL OTHER FINANCING SOURCES (USES)	(832,138)	(1,879,809)	(1,047,671)	28,868		(28,868)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(90,902)	(827,643)	(736,741)	(144,021)	(50,955)	93,066
FUND BALANCES - JULY 1	3,007,500	2,824,140	(183,360)	156,352	171,309	14,957
FUND BALANCES - JUNE 30	\$ 2,916,598	\$ 1,996,497	\$ (920,101)	\$ 12,331	\$ 120,354	\$ 108,023

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

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Booneville School District (District).

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund - The Special Revenue Fund is 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. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund - The Capital Projects Fund is 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. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

Fiduciary Fund types include the following:

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Private-purpose Trust Funds - Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

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

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	20
Buildings	50
Equipment	5-20

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2016 calendar year taxes collected by June 30, 2017 and 16 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2017 equaled or exceeded the 16 percent calculation.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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

G. Fund Balance Classifications

1. Nonspendable fund balance – represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. Assigned fund balance – represents amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

H. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The District does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the school districts employ the cash basis method.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

I. Stabilization Arrangements

The District's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

J. Minimum Fund Balance Policies

The District's Board of Education has not formally adopted a minimum fund balance policy.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The District's Board of Education has not adopted a formal policy addressing this authorization.

The District's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the District's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

L. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>3,784,163</u>	<u>3,909,322</u>
Total Deposits	<u>\$ 4,284,163</u>	<u>\$ 4,409,322</u>

The above total deposits do not include cash on hand of \$487. The above total deposits include certificates of deposit of \$894,404 reported as investments and classified as nonparticipating contracts.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
Federal assistance		\$ 44,730		
Investment income	\$ 1,132		\$ 666	\$ 89
Other	2,267			
Totals	<u>\$ 3,399</u>	<u>\$ 44,730</u>	<u>\$ 666</u>	<u>\$ 89</u>

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2017:

Long-term Debt Issued and Outstanding

The District is presently paying on the following long-term debt:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2017	Maturities To June 30, 2017
6/1/14	2/1/39	2 - 3.75%	\$ 11,605,000	\$ 11,340,000	\$ 265,000
9/1/16	2/1/33	1 - 2.2%	1,250,000	1,190,000	60,000
Totals			<u>\$ 12,855,000</u>	<u>\$ 12,530,000</u>	<u>\$ 325,000</u>

Changes in Long-term Debt

	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
Bonds payable	<u>\$ 12,800,000</u>	<u>\$ 1,250,000</u>	<u>\$ 1,520,000 *</u>	<u>\$ 12,530,000</u>

* Includes \$1,195,000 early retirement of debt – See Note 6.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4: COMMITMENTS (Continued)

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2018	\$ 450,000	\$ 376,611	\$ 826,611
2019	455,000	368,311	823,311
2020	465,000	359,861	824,861
2021	470,000	351,146	821,146
2022	485,000	342,331	827,331
2023-2027	2,615,000	1,503,822	4,118,822
2028-2032	3,010,000	1,107,619	4,117,619
2033-2037	3,180,000	604,576	3,784,576
2038-2039	1,400,000	79,313	1,479,313
Totals	<u>\$ 12,530,000</u>	<u>\$ 5,093,590</u>	<u>\$ 17,623,590</u>

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Arkansas Department of Education (ADE). Depending on the date of the bond issue, ADE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

5: ACCOUNTS PAYABLE

Accounts payable at June 30, 2017 were comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types
	Major		
	General	Special Revenue	
Vendor payables	\$ 88,590	\$ 14,084	\$ 7,790

6: DEBT REFUNDING

On September 1, 2016, the District issued refunding bonds of \$1,250,000 with interest rates of 1 to 2.2 percent to refund \$1,195,000 of outstanding bonds dated October 1, 2011. The interest rates of the bonds refunded were .75 to 3.75 percent. Net bond proceeds of \$1,204,790 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on November 1, 2016. The remaining proceeds of \$4,363 (after payment of \$40,847 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$92,951 to the District over the life of the bonds.

7: INTERFUND TRANSFERS

The District transferred \$1,879,809 from the general fund to other aggregate funds for debt related payments of \$710,112, debt refunding savings of \$110,234 required to be utilized for capital expenditures, and \$1,059,463 for future capital projects.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at www.atrs.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2017 were \$953,859, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2016 (actuarial valuation date and measurement date) was \$10,185,875.

Arkansas Public Employees Retirement System

Plan Description

The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain non-teaching school employees. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or by visiting the APERS website at www.apers.org.

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2017 were \$3,363, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2016 (actuarial valuation date and measurement date) was \$38,459.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 9,000
Interest	<u>519</u>
TOTAL ADDITIONS	<u>9,519</u>
DEDUCTIONS	
Scholarships	<u>9,695</u>
CHANGE IN FUND BALANCE	(176)
FUND BALANCE - JULY 1	<u>87,199</u>
FUND BALANCE - JUNE 30	<u><u>\$ 87,023</u></u>

10: COMPONENT UNIT

The financial statements do not include assets, fund balance, and changes in fund balance of the Booneville Public School Foundation, Inc. The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. A summary of the Foundation's financial condition (unaudited) as of June 30, 2017 follows:

ASSETS	
Investments	<u><u>\$ 791,617</u></u>
FUND BALANCE	<u><u>\$ 791,617</u></u>
REVENUE	
Donations	\$ 3,637
Interest and dividends	<u>5,360</u>
TOTAL REVENUE	8,997
EXPENDITURES	<u>5,156</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u><u>\$ 3,841</u></u>

11: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$12,855,000 issued from June 1, 2014 to September 1, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$17,623,590, payable through February 1, 2039. Principal and interest paid for the current year and total property taxes pledged for debt service were \$712,911 and \$1,223,419, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 58.27 percent.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

12: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Districts carries commercial insurance for board liability and student accidents.

The District participates in the Arkansas School Boards Association – Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

13: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$249,046 for the year ended June 30, 2017.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

14: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 22,566		
Educational programs -			
national school lunch state			
categorical funding	10,003		
English-language learners	6,131		
Professional development	5,063		
Capital projects			\$ 684,532
Child nutrition programs		\$ 9,099	
Child care and development		77,044	
Medical services		33,720	
Special education programs	8,398	491	
Other purposes	69,696		
Total Restricted	<u>121,857</u>	<u>120,354</u>	<u>684,532</u>
Assigned to:			
Capital projects			1,259,542
Student activities	29,659		
Total Assigned	<u>29,659</u>		<u>1,259,542</u>
Unassigned	<u>1,844,981</u>		
Totals	<u>\$1,996,497</u>	<u>\$ 120,354</u>	<u>\$1,944,074</u>

15: ENDOWMENT SCHOLARSHIP FUND

In January 2007, the District was the recipient of an endowment gift to establish the Jack and Gladys Willis Trust. The donor has stipulated that the principal is to remain intact and only the investment earnings shall be used to award scholarships to graduating seniors. The endowment balance at June 30, 2017 was \$86,236 of which the nonspendable portion of \$85,825 was invested in a certificate of deposit classified as a nonparticipating contract.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)

Schedule 1

	Balance June 30, 2017
<i>Nondepreciable capital assets:</i>	
Land	\$ 358,290
<i>Depreciable capital assets:</i>	
Buildings	22,084,471
Improvements/infrastructure	1,073,579
Equipment	3,348,577
Total depreciable capital assets	26,506,627
Less accumulated depreciation for:	
Buildings	7,927,901
Improvements/infrastructure	777,988
Equipment	2,462,494
Total accumulated depreciation	11,168,383
Total depreciable capital assets, net	15,338,244
Capital assets, net	\$ 15,696,534

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Direct Program:				
National School Lunch Program (Note 3)	10.555			\$ 7,494
Passed Through Arkansas Department of Education:				
School Breakfast Program	10.553	4201		168,490
National School Lunch Program	10.555	4201		403,319
Total Arkansas Department of Education				571,809
Passed Through Arkansas Department of Human Services:				
National School Lunch Program (Note 4)	10.555	4201000		46,946
Summer Food Service Program for Children (Note 4)	10.559	4201000		760
Total Arkansas Department of Human Services				47,706
TOTAL CHILD NUTRITION CLUSTER				627,009
OTHER PROGRAMS				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
Fresh Fruit and Vegetable Program	10.582	4201		35,589
<u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title I Grants to Local Educational Agencies	84.010	4201		274,660
Special Education - Grants to States	84.027	4201		249,973
Twenty-First Century Community Learning Centers	84.287	4201		91,572
Rural Education	84.358	4201		30,052
Supporting Effective Instruction State Grant	84.367	4201		84,625
Total U. S. Department of Education				730,882
TOTAL OTHER PROGRAMS				766,471
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 1,393,480

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Booneville School District No. 65 (District) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 6: During the year ended June 30, 2017, the District received Medicaid funding of \$15,601 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued: GAAP basis of reporting - adverse
Regulatory basis opinion units - unmodified

Internal control over financial reporting:

<input checked="" type="radio"/> Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

FEDERAL AWARDS

Internal control over major federal programs:

<input checked="" type="radio"/> Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027	Special Education - Grants to States

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2017-001. Internal Control

Criteria or specific requirement: Internal control is a process consisting of five interrelated components - *control environment, risk assessment, information and communication, control activities, and monitoring*. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the same employees were responsible for receiving and depositing monies collected, preparation of payroll and non-payroll checks, maintenance of accounting records, and preparation of bank reconciliations, with minimal compensating controls.

Context: An understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures was obtained.

Effect: The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard District assets, was adversely affected by the identified weaknesses in the above internal control component.

Cause: District management, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiencies in internal control.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets.

Views of responsible officials and planned corrective actions: The District management will make every effort to segregate duties as much as possible with the available staff.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



BOONEVILLE SCHOOL DISTRICT

381 West 7th Street * Booneville, Arkansas 72927
Phone: 479.675.3504 * Fax 479.675.3186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENT FINDINGS

2016 – Finding 2016-001: Internal Control

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the same employees were responsible for receiving and depositing monies collected, preparation of payroll and non-payroll checks, maintenance of accounting records, and preparation of bank reconciliations, with minimal compensating controls.

Current Status: The condition regarding internal controls over cash transactions, because of insufficient segregation of duties due to limited personnel, is unavoidable. Booneville School District continues to segregate duties as much as possible with the personnel on staff. We do believe that we have sufficient policies in place that will allow us to detect any material discrepancies in fund transactions. See Finding 2017-001 at Schedule 3.

2015 – Finding 2015-001: Internal Control

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the same employees were responsible for receiving and depositing monies collected, preparation of payroll and non-payroll checks, maintenance of accounting records, and preparation of bank reconciliations, with minimal compensating controls.

Current Status: The condition regarding internal controls over cash transactions, because of insufficient segregation of duties due to limited personnel, is unavoidable. Booneville School District continues to segregate duties as much as possible with the personnel on staff. We do believe that we have sufficient policies in place that will allow us to detect any material discrepancies in fund transactions. See Finding 2017-001 at Schedule 3.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U. S. DEPARTMENT OF EDUCATION

PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION

SPECIAL EDUCATION – GRANTS TO STATES – CFDA NUMBER 84.027

2016 – Finding 2016-002: Reporting

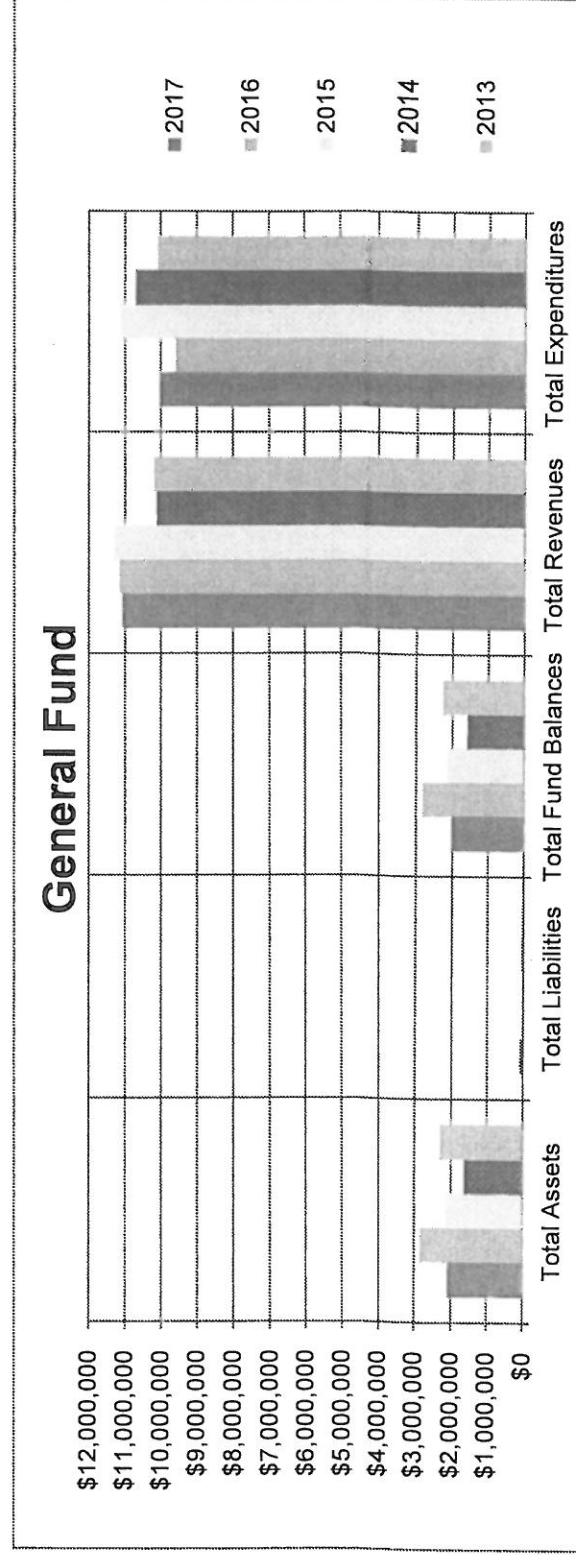
Condition: Special Education expenditures for function 1230 (Special Class – 1:15 Ratio) and object code 61000 (Personal Services – Salaries) exceeded the budgeted amounts by \$5,466 and \$13,773 more than the 10 percent variance allowed, respectively. Total expenditures did not exceed the total overall budget.

Current Status: The condition regarding Special Education expenditures exceeding the budgeted amounts resulting in more than the 10 percent variance allowed has been addressed with the Special Education Director and District Treasurer. The necessary budget and/or coding changes have been corrected according to the instructions from ADE in an e-mail to the Special Education Director. The Special Education Director and District Treasurer work more closely together, along with ADE to make sure any budget and/or coding changes are recoded correctly to not exceed budget in FY17, and that any required amendments are submitted to ADE.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets	\$ 2,085,087	\$ 2,842,152	\$ 2,145,289	\$ 1,615,491	\$ 2,305,968
Total Liabilities	88,590	18,012	23,340	47,329	50,041
Total Fund Balances	1,996,497	2,824,140	2,121,949	1,568,162	2,255,927
Total Revenues	11,066,278	11,140,469	11,272,647	10,104,541	10,185,901
Total Expenditures	10,014,112	9,577,746	11,124,605	10,689,874	10,066,859
Total Other Financing Sources (Uses)	(1,879,809)	(860,532)	405,745	(102,432)	

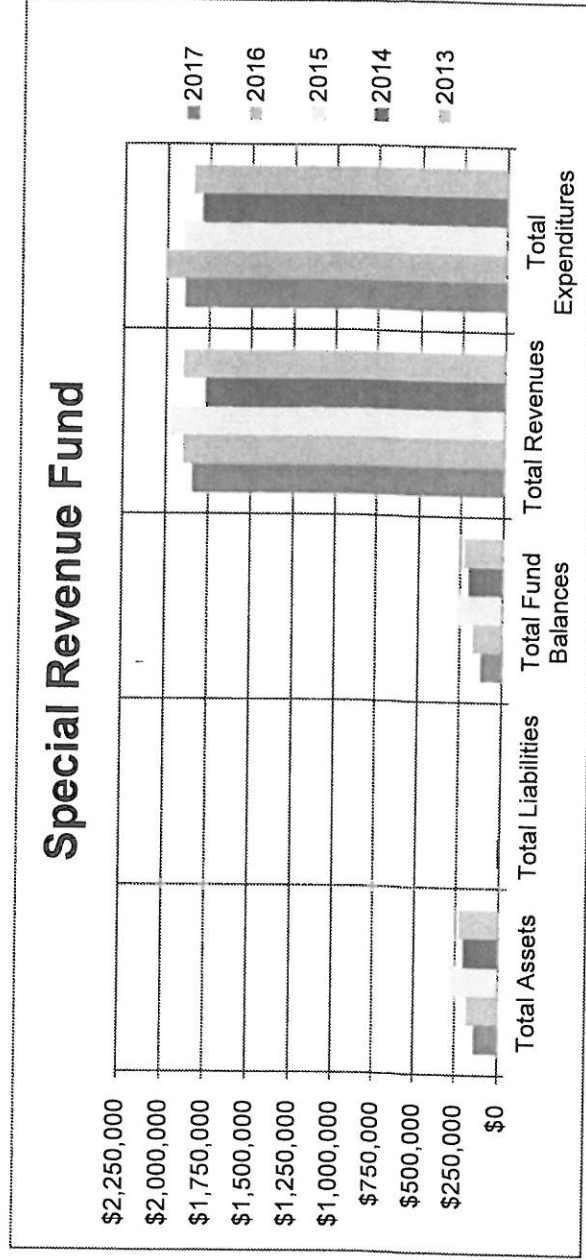


BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS

Schedule 5

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
Special Revenue Fund					
Total Assets	\$ 134,438	\$ 180,239	\$ 269,200	\$ 199,696	\$ 227,452
Total Liabilities	14,084	8,930	9,288	2,668	6,173
Total Fund Balances	120,354	171,309	259,912	197,028	221,279
Total Revenues	1,840,477	1,894,806	1,965,106	1,765,944	1,899,766
Total Expenditures	1,891,432	2,012,278	1,902,222	1,792,627	1,843,855
Total Other Financing Sources (Uses)		28,869		2,432	(152)



BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
Other Aggregate Funds					
Total Assets	\$ 1,944,074	\$ 769,475	\$ 399,841	\$ 486,587	\$ 464,556
Total Liabilities				152,870	119,180
Total Fund Balances	1,944,074	769,475	399,841	333,717	345,376
Total Revenues	4,974	4,875	4,819	859,522	636,317
Total Expenditures	755,394	466,904	633,166	900,296	1,498,873
Total Other Financing Sources (Uses)	1,925,019	831,663	694,471	29,115	300,000

