

Southside School District No. 3

Independence County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2018



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INDEPENDENCE 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

Southside School District No. 3 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 Southside School District No. 3 (the "District"), as of and for the year ended June 30, 2018, 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, 2018, or the changes in financial position for the year then ended.

Unmodified Opinions 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, 2018, 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 22, 2019 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 22, 2019
EDSD17518

Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

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

Southside School District No. 3 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 Southside School District No. 3 (the "District"), as of and for the year ended June 30, 2018, 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 22, 2019. 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, 2018, 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 regulatory basis financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

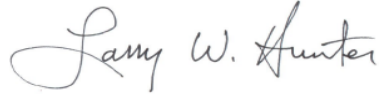
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 22, 2019

Arkansas

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Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

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

Southside School District No. 3 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Southside School District No. 3 (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, 2018. 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, 2018.

Report on Internal Control Over Compliance

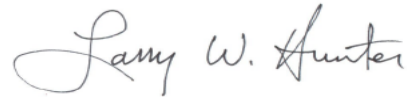
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 22, 2019

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2018

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 1,505,955		\$ 725,090	\$ 37,990
Investments			897,518	
Accounts receivable	10,986	\$ 276,739		
Due from other funds	4,247			
Deposit with paying agent			434,990	
TOTAL ASSETS	\$ 1,521,188	\$ 276,739	\$ 2,057,598	\$ 37,990
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 26,331	\$ 13,404		\$ 700
Due student groups				37,290
Due to other funds		4,247		
Total Liabilities	26,331	17,651		37,990
Fund Balances:				
Restricted	159,396	259,088	\$ 578,506	
Assigned	208,978		1,479,092	
Unassigned	1,126,483			
Total Fund Balances	1,494,857	259,088	2,057,598	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,521,188	\$ 276,739	\$ 2,057,598	\$ 37,990

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

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,716,151		
State assistance	12,392,647	\$ 40,425	\$ 128,098
Federal assistance		2,034,938	42,117
Activity revenues	500,887		
Meal sales		225,062	
Investment income	8,188		15,548
Other revenues	491,751	715	139,386
TOTAL REVENUES	16,109,624	2,301,140	325,149
EXPENDITURES			
Regular programs	6,224,959	30,891	
Special education	926,385	256,847	
Career education programs	337,019		
Compensatory education programs	113,484	185,934	
Other instructional programs	133,337	1,000	
Student support services	713,137	222,690	
Instructional staff support services	1,022,118	251,882	
General administration support services	236,848	32,958	
School administration support services	915,922		
Central services support services	439,458		
Operation and maintenance of plant services	1,775,581	5,012	
Student transportation services	763,956		
Other support services	36,542		
Food services operations	11,162	1,216,739	
Community services operations	518,467	122,019	
Facilities acquisition and construction services	529,052		203,833
Activity expenditures	447,418		
Debt Service:			
Principal retirement	189,717		430,000
Interest and fiscal charges	46,326		315,637
TOTAL EXPENDITURES	15,380,888	2,325,972	949,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	728,736	(24,832)	(624,321)
OTHER FINANCING SOURCES (USES)			
Transfers in			1,076,776
Transfers out	(1,076,776)		
Refund to grantor		(532)	
Value of installment contract	255,000		
Value of capital lease	158,942		
TOTAL OTHER FINANCING SOURCES (USES)	(662,834)	(532)	1,076,776
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	65,902	(25,364)	452,455
FUND BALANCES - JULY 1	1,428,955	284,452	1,605,143
FUND BALANCES - JUNE 30	\$ 1,494,857	\$ 259,088	\$ 2,057,598

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

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE 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, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 2,920,352	\$ 2,716,151	\$ (204,201)			
State assistance	11,797,518	12,392,647	595,129	\$ 7,000	\$ 40,425	\$ 33,425
Federal assistance				1,956,351	2,034,938	78,587
Activity revenues		500,887	500,887			
Meal sales				203,975	225,062	21,087
Investment income	8,500	8,188	(312)			
Other revenues	418,100	491,751	73,651		715	715
TOTAL REVENUES	15,144,470	16,109,624	965,154	2,167,326	2,301,140	133,814
EXPENDITURES						
Regular programs	6,345,423	6,224,959	120,464	25,999	30,891	(4,892)
Special education	827,869	926,385	(98,516)	258,816	256,847	1,969
Career education programs	357,472	337,019	20,453			
Compensatory education programs	80,114	113,484	(33,370)	194,064	185,934	8,130
Other instructional programs	132,464	133,337	(873)		1,000	(1,000)
Student support services	814,672	713,137	101,535	242,496	222,690	19,806
Instructional staff support services	1,054,393	1,022,118	32,275	262,771	251,882	10,889
General administration support services	247,146	236,848	10,298	33,457	32,958	499
School administration support services	906,741	915,922	(9,181)			
Central services support services	311,924	439,458	(127,534)			
Operation and maintenance of plant services	1,981,913	1,775,581	206,332	9,851	5,012	4,839
Student transportation services	583,582	763,956	(180,374)			
Other support services	45,000	36,542	8,458			
Food services operations	6,000	11,162	(5,162)	1,057,245	1,216,739	(159,494)
Community services operations	362,938	518,467	(155,529)	107,092	122,019	(14,927)
Facilities acquisition and construction services	87,000	529,052	(442,052)			
Activity expenditures		447,418	(447,418)			
Debt Service:						
Principal retirement	175,889	189,717	(13,828)			
Interest and fiscal charges	40,782	46,326	(5,544)			
TOTAL EXPENDITURES	14,361,322	15,380,888	(1,019,566)	2,191,791	2,325,972	(134,181)

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE 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, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 783,148	\$ 728,736	\$ (54,412)	\$ (24,465)	\$ (24,832)	\$ (367)
OTHER FINANCING SOURCES (USES)						
Transfers in	18,397,003		(18,397,003)	50,487		(50,487)
Transfers out	(19,072,805)	(1,076,776)	17,996,029	(50,487)		50,487
Refund to grantor					(532)	(532)
Value of installment contract		255,000	255,000			
Value of capital lease		158,942	158,942			
TOTAL OTHER FINANCING SOURCES (USES)	(675,802)	(662,834)	12,968	0	(532)	(532)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	107,346	65,902	(41,444)	(24,465)	(25,364)	(899)
FUND BALANCES - JULY 1	1,511,506	1,428,955	(82,551)	267,190	284,452	17,262
FUND BALANCES - JUNE 30	<u>\$ 1,618,852</u>	<u>\$ 1,494,857</u>	<u>\$ (123,995)</u>	<u>\$ 242,725</u>	<u>\$ 259,088</u>	<u>\$ 16,363</u>

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

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five 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 Southside School District (District). There are no component units.

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.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	10-20
Buildings	20-50
Equipment	5-25

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.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

F. Property Taxes (Continued)

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2017 calendar year taxes collected by June 30, 2018 and 12 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, 2018 equaled or exceeded the 12 percent calculation.

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. Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

H. Fund Balance Classifications

1. 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.
2. 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.
3. 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.

I. 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.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. Minimum Fund Balance Policies

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

L. 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.

M. 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:

	Carrying Amount	Bank Balance
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	2,666,553	3,219,370
Total Deposits	\$ 3,166,553	\$ 3,719,370

The above total deposits include certificates of deposit of \$897,518 reported as investments and classified as nonparticipating contracts.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 276,323
Activity fund accounts	\$ 13	
Meal sales		416
Other	10,973	
Totals	<u>\$ 10,986</u>	<u>\$ 276,739</u>

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2018:

A. Operating Leases (noncapital leases with initial noncancellable lease terms in excess of one year)

General description of leases and leasing arrangements:

On December 13, 2016, the District executed an operating lease for multiple copiers. The agreement stipulated monthly payments of \$2,275 plus tax for a period of 36 months.

On July 1, 2017, the District executed a three year operating lease for a gym/multipurpose building. The agreement stipulated yearly payments of \$52,000 for a period of three years. Upon receipt of the third lease payment and payment in full of a bank loan by the lessor related to the building, ownership of the building will be transferred to the District. The agreement also provides for a one-year extension option in the event the bank loan is not paid in full within the three year term.

1. Future minimum rental payments (aggregate) at June 30, 2018: \$142,675
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 79,300
2020	63,375
Total	<u>\$ 142,675</u>

Rental payments for the operating leases described above were approximately \$81,892 for the year ended June 30, 2018.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

4: COMMITMENTS (Continued)

B. 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, 2018	Maturities To June 30, 2018
6/29/11	6/1/26	4.875%	\$ 925,000	\$ 925,000	
5/1/08	2/1/36	3.05 - 4.2%	530,000	395,000	\$ 135,000
7/1/12	11/1/32	1 - 3%	1,635,000	1,395,000	240,000
7/15/12	2/1/36	1 - 3.05%	2,045,000	1,760,000	285,000
9/1/12	11/1/33	1 - 2.65%	3,275,000	3,040,000	235,000
6/8/16	2/1/36	1.125 - 2.4%	1,030,000	995,000	35,000
8/15/15	2/1/36	1 - 3%	2,070,000	1,805,000	265,000
8/4/16	11/1/35	0.9 - 2.25%	2,030,000	2,030,000	
8/20/12	8/20/22	3.25%	650,000	351,295	298,705
6/19/14	6/19/24	4.25%	859,200	557,693	301,507
6/7/18	1/31/20		255,000	255,000	
10/1/15	10/1/18	3%	159,766	111,791	47,975
10/1/17	10/1/20	4%	158,942	158,942	
Totals			<u>\$ 15,622,908</u>	<u>\$ 13,779,721</u>	<u>\$ 1,843,187</u>

Changes in Long-term Debt

	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
Bonds payable	\$ 12,775,000		\$ 430,000	\$ 12,345,000
Postdated warrants	1,052,818		143,830	908,988
Capital leases	136,118	* \$ 158,942	24,327	270,733
Installment contracts	21,560	255,000	21,560	255,000
Totals	<u>\$ 13,985,496</u>	<u>\$ 413,942</u>	<u>\$ 619,717</u>	<u>\$ 13,779,721</u>

*Beginning balance was adjusted for an error in recording a capital lease recognized in the previous year.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

4: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding (Continued)

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2019	\$ 930,005	\$ 349,959	\$ 1,279,964
2020	874,875	332,322	1,207,197
2021	851,215	316,644	1,167,859
2022	762,166	296,845	1,059,011
2023	778,578	279,769	1,058,347
2024-2028	4,227,882	1,063,807	5,291,689
2029-2033	3,605,000	509,485	4,114,485
2034-2036	1,750,000	79,783	1,829,783
Totals	<u>\$ 13,779,721</u>	<u>\$ 3,228,614</u>	<u>\$ 17,008,335</u>

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2018:

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment	\$ 192,102	\$ 64,034	\$ 128,068
Equipment	191,000	17,906	173,094
Total	<u>\$ 383,102</u>	<u>\$ 81,940</u>	<u>\$ 301,162</u>

The present value of the net minimum lease payments is as follows at June 30, 2018:

Total Minimum Lease Payments	\$ 288,117
Less: Amount Representing Interest	<u>17,384</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 270,733</u>

Qualified School Construction Bonds

On June 29, 2011, the District obtained funding of \$925,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit a specified amount annually into a sinking fund for 15 years. This amount plus interest earned will be used to retire the debt when due.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

4: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding (Continued)

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, 2018 were comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types
	Major		
	General	Special Revenue	
Vendor payables	\$ 26,331	\$ 13,404	\$ 700

6: INTERFUND TRANSFERS

The District transferred \$1,076,776 from the general fund to the other aggregate funds for debt related payments of \$631,776 and to supplement future capital expenditures by \$445,000.

7: 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.arts.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, 2018 were \$1,328,427, 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

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7: RETIREMENT PLANS (Continued)

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, 2018 were \$1,041, 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, 2017 (actuarial valuation date and measurement date) was \$10,298.

8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

DEDUCTIONS	
Scholarships	\$ 573
CHANGE IN FUND BALANCE	<u>(573)</u>
FUND BALANCE - JULY 1	<u>573</u>
FUND BALANCE - JUNE 30	<u><u>\$ 0</u></u>

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$13,540,000 issued from May 1, 2008 through August 4, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$15,434,901 payable through February 1, 2036. Principal and interest paid for the current year and total property taxes pledged for debt service were \$742,234 and \$1,027,002, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 72.27 percent.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

10: 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 coverage.

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, vehicles, and builders' risk.

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.

11: 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 \$288,385 for the year ended June 30, 2018.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 1,569		
Educational programs - national school lunch state categorical funding	23,602		
Professional development	4,049		
Capital projects			\$ 143,516
Child nutrition programs		\$ 189,454	
Debt service			434,990
Medical services		52,971	
Special education programs	40,516		
Other purposes	89,660	16,663	
Total Restricted	<u>159,396</u>	<u>259,088</u>	<u>578,506</u>
Assigned to:			
Capital projects			1,479,092
Student activities	199,370		
Other purposes	9,608		
Total Assigned	<u>208,978</u>		<u>1,479,092</u>
Unassigned	<u>1,126,483</u>		
Totals	<u>\$1,494,857</u>	<u>\$ 259,088</u>	<u>\$2,057,598</u>

13: CONSTRUCTION IN PROGRESS

The balance of the construction in progress account as June 30, 2018, at Schedule 1, represents preliminary costs associated with the construction of a Baseball and Softball Practice Building. There were no significant construction commitments at June 30, 2018.

SOUTHSIDE SCHOOL DISTRICT NO. 3
 INDEPENDENCE COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

Schedule 1

	Balance June 30, 2018
<i>Nondepreciable capital assets:</i>	
Land	\$ 510,963
Construction in progress	21,901
Total nondepreciable capital assets	532,864
 <i>Depreciable capital assets:</i>	
Buildings	28,722,887
Improvements/infrastructure	1,530,327
Equipment	3,610,346
Total depreciable capital assets	33,863,560
 Less accumulated depreciation for:	
Buildings	5,213,442
Improvements/infrastructure	1,074,068
Equipment	2,431,522
Total accumulated depreciation	8,719,032
Total depreciable capital assets, net	25,144,528
Capital assets, net	\$ 25,677,392

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	3209		\$ 233,339
National School Lunch Program (Note 3)	10.555			24,999
Arkansas Department of Education - National School Lunch Program	10.555	3209		545,505
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	3209000		55,375
Total for National School Lunch Program				<u>625,879</u>
Total U. S. Department of Agriculture				<u>859,218</u>
TOTAL CHILD NUTRITION CLUSTER				<u>859,218</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	3209		350,489
Arkansas Department of Education - Special Education - Preschool Grants	84.173	3209		18,685
Total U. S. Department of Education				<u>369,174</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>369,174</u>
OTHER PROGRAMS				
<u>National Endowment for the Arts</u>				
Department of Arkansas Heritage-Arkansas Arts Council - Promotion of the Arts - Partnership Agreements	45.025	3209		1,000
Total National Endowment for the Arts				<u>1,000</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	3209		276,526
Arkansas Department of Education - Rural Education	84.358	3209		30,630
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	3209		40,487
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	3209		10,000
Total U. S. Department of Education				<u>357,643</u>
TOTAL OTHER PROGRAMS				<u>358,643</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 1,587,035</u>

The accompanying notes are an integral part of this schedule.

SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

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 award activity of Southside School District No. 3 (District) under programs of the federal government for the year ended June 30, 2018. 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, 2018, the District received Medicaid funding of \$117,025 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.



Southside School

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<http://southsideschools.org>

A caring community of learners.

Schedule 4

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS

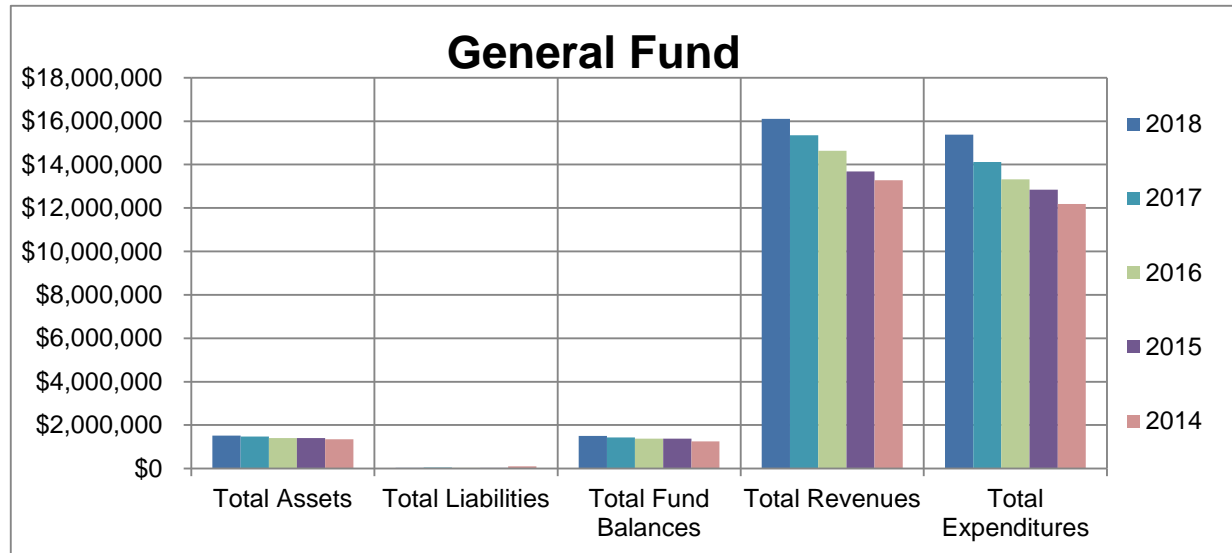
There were no findings in the prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

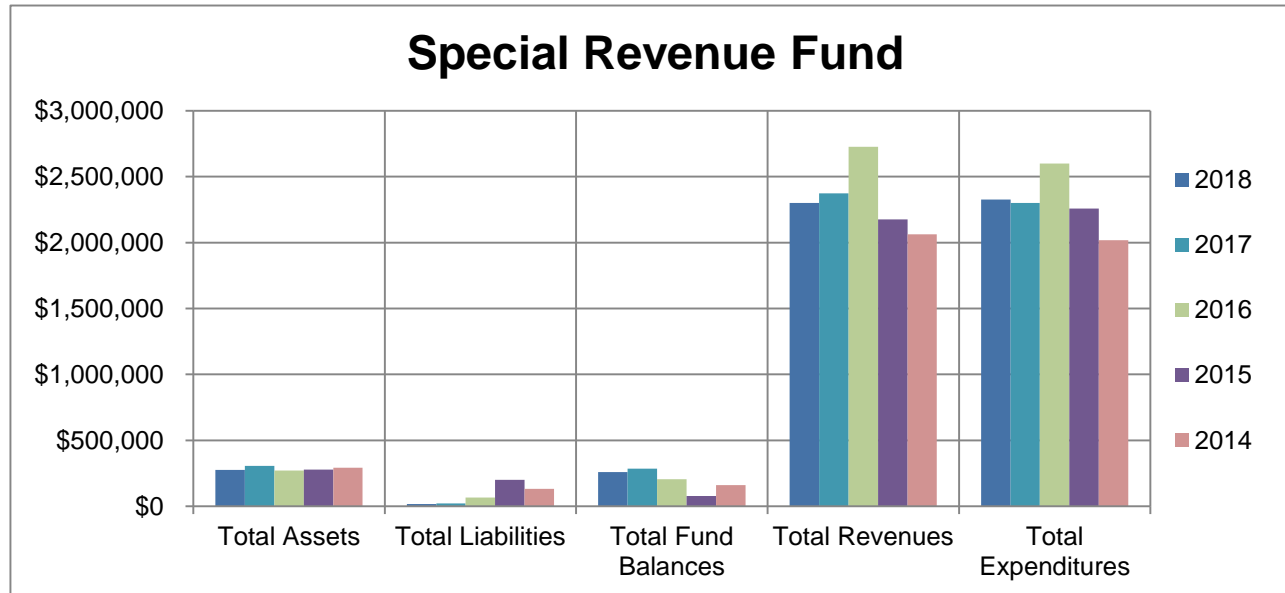
SOUTHSIDE SCHOOL DISTRICT NO. 3
INDEPENDENCE COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

General Fund	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 1,521,188	\$ 1,467,948	\$ 1,410,165	\$ 1,403,467	\$ 1,347,730
Total Liabilities	26,331	38,993	33,224	28,936	95,666
Total Fund Balances	1,494,857	1,428,955	1,376,941	1,374,531	1,252,064
Total Revenues	16,109,624	15,356,254	14,641,165	13,680,946	13,285,486
Total Expenditures	15,380,888	14,117,744	13,323,590	12,850,508	12,189,574
Total Other Financing Sources (Uses)	(662,834)	(1,186,496)	(1,315,165)	(707,971)	(887,810)



SOUTHSIDE SCHOOL DISTRICT NO. 3
 INDEPENDENCE COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 276,739	\$ 305,842	\$ 271,867	\$ 278,412	\$ 293,359
Total Liabilities	17,651	21,390	66,644	200,057	132,260
Total Fund Balances	259,088	284,452	205,223	78,355	161,099
Total Revenues	2,301,140	2,373,436	2,727,466	2,174,852	2,062,694
Total Expenditures	2,325,972	2,300,138	2,600,598	2,257,596	2,017,900
Total Other Financing Sources (Uses)	(532)	5,931			



SOUTHSIDE SCHOOL DISTRICT NO. 3
 INDEPENDENCE COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 2,057,598	\$ 1,605,143	\$ 2,508,438	\$ 3,223,697	\$ 5,044,266
Total Liabilities			657,371	143,825	947,546
Total Fund Balances	2,057,598	1,605,143	1,851,067	3,079,872	4,096,720
Total Revenues	325,149	698,012	325,200	693,007	2,742,915
Total Expenditures	949,470	2,186,492	4,893,272	2,417,826	4,222,405
Total Other Financing Sources (Uses)	1,076,776	1,242,556	3,339,267	707,971	3,854,618

