

# **Hope School District No. 1-A**

**Hempstead County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2017**



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HEMPSTEAD COUNTY, ARKANSAS  
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# Arkansas

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



**Rep. Richard Womack**  
House Chair  
**Rep. Mary Bentley**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Hope School District No. 1-A 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 Hope School District No. 1-A (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 25, 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 25, 2018  
EDSD15317

# Arkansas

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



**Rep. Richard Womack**  
House Chair  
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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

Hope School District No. 1-A 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 Hope School District No. 1-A (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 25, 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 25, 2018

# Arkansas

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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

Hope School District No. 1-A and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Hope School District No. 1-A (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.

#### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

## 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.

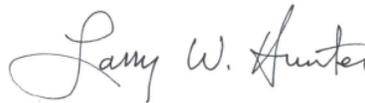
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be a significant deficiency.

The District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 25, 2018

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2017

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 2,706,034	\$ 851,539	\$ 1,926,386	\$ 38,718
Investments	2,500,000			
Accounts receivable		386,337		
Due from other funds			148,866	
<b>TOTAL ASSETS</b>	<b>\$ 5,206,034</b>	<b>\$ 1,237,876</b>	<b>\$ 2,075,252</b>	<b>\$ 38,718</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 251,552	\$ 57,308	\$ 462,120	\$ 400
Due student groups				38,318
Due to other funds	148,866			
<b>Total Liabilities</b>	<b>400,418</b>	<b>57,308</b>	<b>462,120</b>	<b>38,718</b>
Fund Balances:				
Restricted	441,727	1,180,568	1,313,132	
Assigned	85,138		300,000	
Unassigned	4,278,751			
<b>Total Fund Balances</b>	<b>4,805,616</b>	<b>1,180,568</b>	<b>1,613,132</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,206,034</b>	<b>\$ 1,237,876</b>	<b>\$ 2,075,252</b>	<b>\$ 38,718</b>

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

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD 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 Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 6,149,664		
State assistance	14,694,743	\$ 10,270	\$ 554,742
Federal assistance		4,195,885	
Activity revenues	238,386		
Meal sales		89,719	
Investment income	13,754		
Other revenues	679,867		
<b>TOTAL REVENUES</b>	<b>21,776,414</b>	<b>4,295,874</b>	<b>554,742</b>
<b>EXPENDITURES</b>			
Regular programs	9,434,244	95,176	
Special education	829,524	138,218	
Career education programs	641,578		
Compensatory education programs	707,361	1,435,697	
Other instructional programs	501,153	69,929	
Student support services	710,651	365,081	
Instructional staff support services	1,717,241	407,995	
General administration support services	476,703	141,996	
School administration support services	1,195,502		
Central services support services	593,647	51,334	
Operation and maintenance of plant services	2,739,450		306,243
Student transportation services	996,321		
Other support services	46,285		
Food services operations		1,502,763	
Community services operations	80,975	8,940	
Facilities acquisition and construction services			3,405,758
Non-programmed costs		52,287	
Activity expenditures	212,977		
Debt Service:			
Principal retirement	25,116		215,000
Interest and fiscal charges	1,422		558,002
Net debt issuance costs			181,694
<b>TOTAL EXPENDITURES</b>	<b>20,910,150</b>	<b>4,269,416</b>	<b>4,666,697</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>866,264</b>	<b>26,458</b>	<b>(4,111,955)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			1,253,804
Transfers out	(1,253,804)		
Proceeds from refunding bond issue			15,895,000
Payment to refunding bond escrow agent			(15,710,079)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,253,804)</b>		<b>1,438,725</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(387,540)</b>	<b>26,458</b>	<b>(2,673,230)</b>
<b>FUND BALANCES - JULY 1</b>	<b>5,193,156</b>	<b>1,154,110</b>	<b>4,286,362</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 4,805,616</b>	<b>\$ 1,180,568</b>	<b>\$ 1,613,132</b>

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

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD 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			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 6,070,500	\$ 6,149,664	\$ 79,164			
State assistance	14,568,499	14,694,743	126,244	\$ 12,000	\$ 10,270	\$ (1,730)
Federal assistance				4,810,894	4,195,885	(615,009)
Activity revenues		238,386	238,386			
Meal sales				81,000	89,719	8,719
Investment income	19,000	13,754	(5,246)			
Other revenues	535,000	679,867	144,867			
<b>TOTAL REVENUES</b>	<b>21,192,999</b>	<b>21,776,414</b>	<b>583,415</b>	<b>4,903,894</b>	<b>4,295,874</b>	<b>(608,020)</b>
<b>EXPENDITURES</b>						
Regular programs	9,538,575	9,434,244	104,331	97,615	95,176	2,439
Special education	746,943	829,524	(82,581)	174,197	138,218	35,979
Career education programs	621,435	641,578	(20,143)			
Compensatory education programs	650,135	707,361	(57,226)	1,415,117	1,435,697	(20,580)
Other instructional programs	529,488	501,153	28,335	42,691	69,929	(27,238)
Student support services	745,297	710,651	34,646	415,780	365,081	50,699
Instructional staff support services	2,079,666	1,717,241	362,425	724,717	407,995	316,722
General administration support services	462,167	476,703	(14,536)	140,685	141,996	(1,311)
School administration support services	1,202,613	1,195,502	7,111			
Central services support services	537,602	593,647	(56,045)		51,334	(51,334)
Operation and maintenance of plant services	2,708,911	2,739,450	(30,539)	29,080		29,080
Student transportation services	1,056,531	996,321	60,210	6,877		6,877
Other support services	25,000	46,285	(21,285)			
Food services operations				1,390,302	1,502,763	(112,461)
Community services operations	70,896	80,975	(10,079)	20,000	8,940	11,060
Non-programmed costs				51,611	52,287	(676)
Activity expenditures		212,977	(212,977)			
Debt Service:						
Principal retirement		25,116	(25,116)			
Interest and fiscal charges		1,422	(1,422)			
<b>TOTAL EXPENDITURES</b>	<b>20,975,259</b>	<b>20,910,150</b>	<b>65,109</b>	<b>4,508,672</b>	<b>4,269,416</b>	<b>239,256</b>

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD 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			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 217,740	\$ 866,264	\$ 648,524	\$ 395,222	\$ 26,458	\$ (368,764)
OTHER FINANCING SOURCES (USES)						
Transfers in	27,750,154		(27,750,154)			
Transfers out	(28,956,583)	(1,253,804)	27,702,779			
TOTAL OTHER FINANCING SOURCES (USES)	(1,206,429)	(1,253,804)	(47,375)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(988,689)	(387,540)	601,149	395,222	26,458	(368,764)
FUND BALANCES - JULY 1	5,364,669	5,193,156	(171,513)	1,147,093	1,154,110	7,017
FUND BALANCES - JUNE 30	<u>\$ 4,375,980</u>	<u>\$ 4,805,616</u>	<u>\$ 429,636</u>	<u>\$ 1,542,315</u>	<u>\$ 1,180,568</u>	<u>\$ (361,747)</u>

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

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD 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 Hope 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).

**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.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD 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 \$1,500 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	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.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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 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.

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.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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)	\$ 250,000	\$ 288,049
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	7,772,677	8,123,739
Total Deposits	\$ 8,022,677	\$ 8,411,788

The above total deposits include certificates of deposit of \$2,500,000 reported as investments and classified as nonparticipating contracts.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**3: ACCOUNTS RECEIVABLE**

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

	Governmental Fund
	Major
	Special
Description	Revenue
Federal assistance	\$ 386,337

**4: COMMITMENTS**

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
Beryl Henry Elementary School Project	December 1, 2017	\$ 662,411

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

General description of leases and leasing arrangements: Leasing agreements with Great American Leasing Corporation and Datamax Corporation for copiers at various schools within the District.

1. Future minimum rental payments (aggregate) at June 30, 2017: \$120,364
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2018	\$ 60,552
2019	37,092
2020	13,632
2021	9,088
Total	\$ 120,364

Rental payments for the operating leases described above were approximately \$138,952 for the year ended June 30, 2017.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**4: COMMITMENTS (Continued)**

C. Other Commitments – Maintenance Services Contract

General description of maintenance services arrangement. On November 2, 2009, the District executed a maintenance service contract with Carrier, Inc., for the heating and air conditioning system. The contract stipulated annual payments of \$25,713 plus applicable sales tax for 10 years, commencing on November 1, 2010.

1. Future minimum maintenance service payments (aggregate) at June 30, 2017: \$102,852
2. Future minimum maintenance service payments for the succeeding years:

Year Ended June 30,	Amount
2018	\$ 25,713
2019	25,713
2020	25,713
2021	25,713
Total	\$ 102,852

The final payment is scheduled to be paid November 1, 2020, due to no payments made by the District in 2013.

Maintenance service payments for the contract described above were approximately \$28,159 for the year ended June 30, 2017.

D. 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
7/1/12	6/1/22	.75 - 2%	\$ 655,000	\$ 335,000	\$ 320,000
12/1/15	6/1/46	1.1 - 3.75%	5,635,000	5,485,000	150,000
10/4/16	6/30/33	1.0 - 2.25%	7,820,000	7,820,000	
6/21/17	6/1/41	3.0 - 3.40%	8,075,000	8,075,000	
Totals			\$ 22,185,000	\$ 21,715,000	\$ 470,000

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**4: COMMITMENTS (Continued)**

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

Changes in Long-term Debt

	Balance <u>July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2017</u>
Bonds payable	\$ 21,590,000	\$ 15,895,000	\$ 15,770,000	\$ 21,715,000
Installment contracts	<u>25,116</u>		<u>25,116</u>	
Totals	<u>\$ 21,615,116</u>	<u>\$ 15,895,000</u>	<u>\$ 15,795,116</u> *	<u>\$ 21,715,000</u>

\*Includes \$15,555,000 early retirement of debt – See Note 6. Also includes \$150,000 of bonds retired that are included in accounts payable and accrued liabilities at June 30, 2017 that was paid by the District on October 20, 2017 - See Security for Debt Payments below and Note 5.

Future Principal and Interest Payments

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 430,000	\$ 534,141	\$ 964,141
2019	670,000	543,231	1,213,231
2020	680,000	535,664	1,215,664
2021	600,000	527,654	1,127,654
2022	610,000	520,034	1,130,034
2023-2027	3,525,000	2,460,131	5,985,131
2028-2032	4,270,000	2,069,871	6,339,871
2033-2037	4,875,000	1,491,188	6,366,188
2038-2042	4,770,000	679,132	5,449,132
2043-2046	<u>1,285,000</u>	<u>122,062</u>	<u>1,407,062</u>
Totals	<u>\$ 21,715,000</u>	<u>\$ 9,483,108</u>	<u>\$ 31,198,108</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. The District did not make a scheduled bond payment of \$150,000 that was due on June 1, 2017 until October 20, 2017.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

Description	Governmental Funds			Fiduciary Fund Types
	Major		Other Aggregate	
	General	Special Revenue		
Vendor payables	\$ 248,790	\$ 57,308	\$ 312,120	\$ 400
Due to grantors	2,762			
Other			150,000	
<b>Totals</b>	<b>\$ 251,552</b>	<b>\$ 57,308</b>	<b>\$ 462,120</b>	<b>\$ 400</b>

**6: DEBT REFUNDINGS**

On October 4, 2016, the District issued refunding bonds of \$7,820,000 with interest rates of 1 to 2.25 percent to refund \$7,600,000 of outstanding bonds dated October 1, 2011. The interest rates of the bonds refunded were 1 to 3.75 percent. Net bond proceeds of \$7,708,452 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. The bonds were called on December 1, 2016. The remaining proceeds of \$1,108 (after payment of \$110,440 net bond issuance costs) will be used for future debt service payments. The refunding bond issue will result in savings of \$757,252 to the District over the life of the bonds.

On June 21, 2017, the District issued refunding bonds of \$8,075,000 with interest rates of 3 to 3.4 percent to refund \$7,955,000 of outstanding bonds dated January 1, 2012. The interest rates of the bonds refunded were 1 to 4 percent. Net bond proceeds of \$8,001,627 were remitted to a bond escrow agent to provide all future debt service payments for the bonds refunded. The bonds will be called on July 21, 2017. The remaining proceeds of \$2,119 (after payment of \$71,254 net bond issuance costs) will be used for future debt service payments. The refunding bond issue will result in savings of \$814,030 to the District over the life of the bonds. The outstanding principal of the bonds refunded was \$7,955,000 at June 30, 2017. U.S. Government securities of \$7,995,918, purchased by the escrow agent, were pledged for the retirement of these bonds.

**7: INTERFUND TRANSFERS**

The District transferred \$1,253,804 from the general fund to the other aggregate funds for debt related payments of \$768,641 and future capital projects of \$485,163.

**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.artrs.gov](http://www.artrs.gov).

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**8: RETIREMENT PLANS (Continued)**

Arkansas Teacher Retirement System (Continued)

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 \$1,961,361, 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 \$20,606,876.

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](http://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 \$4,727, 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 \$50,858.

**9: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$22,185,000 issued from July 1, 2012 to June 21, 2017. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$31,198,108, payable through June 1, 2046. Principal and interest paid for the current year and total property taxes pledged for debt service were \$770,877 and \$1,719,070, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 44.84 percent.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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 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.

**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 \$512,717 for the year ended June 30, 2017.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Educational programs - national school lunch state categorical funding	\$ 312,543		
English-language learners	29,993		
Capital projects			\$1,313,132
Child nutrition programs		\$1,109,137	
Medical services		23,825	
Special education programs	55,429		
Other purposes	43,762	47,606	
Total Restricted	<u>441,727</u>	<u>1,180,568</u>	<u>1,313,132</u>
Assigned to:			
Capital projects			300,000
Student activities	85,138		
Total Assigned	<u>85,138</u>		<u>300,000</u>
Unassigned	<u>4,278,751</u>		
Totals	<u>\$4,805,616</u>	<u>\$1,180,568</u>	<u>\$1,613,132</u>

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)

Schedule 1

	Balance <u>June 30, 2017</u>
<i>Nondepreciable capital assets:</i>	
Land	\$ 445,045
Construction in progress	4,117,433
Total nondepreciable capital assets	<u>4,562,478</u>
 <i>Depreciable capital assets:</i>	
Buildings	27,979,888
Improvements/infrastructure	2,369,350
Equipment	4,762,837
Total depreciable capital assets	<u>35,112,075</u>
 Less accumulated depreciation for:	
Buildings	10,701,148
Improvements/infrastructure	1,148,942
Equipment	3,523,455
Total accumulated depreciation	<u>15,373,545</u>
 Total depreciable capital assets, net	 <u>19,738,530</u>
 Capital assets, net	 <u>\$ 24,301,008</u>

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD 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
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
School Breakfast Program	10.553	2903		\$ 369,273
National School Lunch Program	10.555	2903		861,115
Total Arkansas Department of Education				1,230,388
Passed Through Arkansas Department of Human Services:				
National School Lunch Program (Note 3)	10.555	2903000		98,162
TOTAL CHILD NUTRITION CLUSTER				1,328,550
 <b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
Fresh Fruit and Vegetable Program	10.582	2903		75,151
 <u>U. S. Department of Defense</u>				
Direct Program:				
ROTC (Note 4)	12.AR20101			26,220
 <u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title I Grants to Local Educational Agencies	84.010	2903		1,915,586
Special Education - Grants to States	84.027	2903		417,536
Education for Homeless Children and Youth	84.196	2903		14,642
Rural Education	84.358	2903		46,169
English Language Acquisition State Grants	84.365	2903		50,751
Supporting Effective Instruction State Grant	84.367	2903		128,778
Total U. S. Department of Education				2,573,462
TOTAL OTHER PROGRAMS				2,674,833
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 4,003,383

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 Hope School District No. 1-A (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 Arkansas Department of Human Services.
- Note 4: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- 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 \$92,219 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.



HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDING**

**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, 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 employee was responsible for receiving and depositing monies collected, maintenance of accounting records, and preparation of bank reconciliations, without compensating controls. Additionally, non-payroll checks were prepared by the same employee responsible for adding new vendors and processing of invoices without compensating controls. Additionally, the same employee was responsible for adding new employees, and processing payroll without 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 weakness 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 will adopt sound accounting policies and establish and maintain internal control.

HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 3

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

SIGNIFICANT DEFICIENCY

U.S. DEPARTMENT OF EDUCATION  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - CFDA NUMBER 84.010  
PASS-THROUGH NUMBER 2903  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2017

2017-002 Reporting

Criteria or specific requirement: The District is required to budget Title I Program expenditures and submit the budget to the Arkansas Department of Education (ADE). Expenditures may not exceed the budgeted amounts for specific categories by more than 10 percent of the total budget for each function without prior approval from the ADE and the submission of budget amendments or adjustments.

Condition: The Title I School Improvement expenditures for function 2213 (instructional staff training/professional development) exceeded the budget threshold by \$12,758 more than the 10 percent variance allowed. Total Title I School Improvement expenditures did not exceed the total budgeted expenditures.

Context: Comparison of budgeted expenditures to actual expenditures as reported on the annual financial report.

Effect: The District did not record the Title I School Improvement expenditures for function 2213 within the approved budget

Cause: Lack of management oversight in the monitoring of budget to actual expenditures.

Recommendation: The District should implement procedures to ensure costs are incurred within the applicable budget categories and contact the ADE for further guidance regarding this matter.

Views of responsible officials and planned corrective actions: The District has implemented procedures to ensure that Title I School Improvement Fund costs are incurred within the applicable budget categories.

**Hope School District 1-A**  
**117 East 2<sup>nd</sup> Street**  
**Hope, AR 71801**  
**870-722-2700**

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 employ was responsible for receiving and depositing monies collected, maintenance of accounting records, and preparation of bank reconciliations without compensating controls. Additionally, non-payroll checks were prepared by the same employee responsible for adding new vendors and processing of invoices and such employee had unlimited access to the District's signature stamp, without compensating controls. Additionally, the same employee was responsible for adding new employees, processing payroll, and had unlimited access to the District's signature stamp, without compensating controls.

Current Status: Areas involving lack of segregation of financial accounting duties had not completely been addressed by the District. 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 employee was responsible for receiving and depositing monies collected, maintenance of accounting records, and preparation of bank reconciliations without compensating controls. Additionally, non-payroll checks were prepared by the same employee responsible for adding new vendors and processing of invoices and such employee had unlimited access to the District's signature stamp, without compensating controls. Additionally, the same employee was responsible for adding new employees, processing payroll, and had unlimited access to the District's signature stamp, without compensating controls.

Current Status: Areas involving lack of segregation of financial accounting duties had not completely been addressed by the District. See finding 2017-001 at Schedule 3.

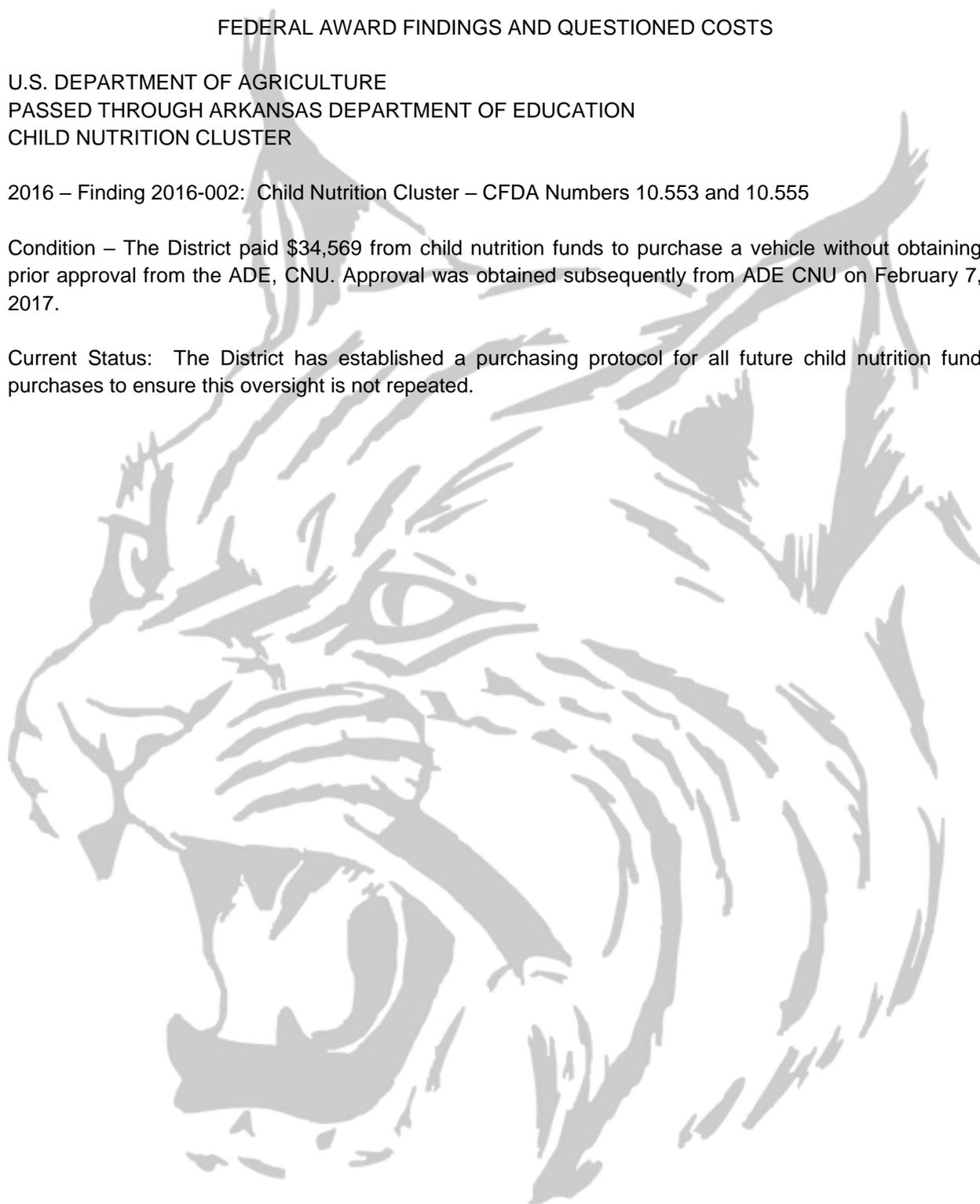
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
CHILD NUTRITION CLUSTER

2016 – Finding 2016-002: Child Nutrition Cluster – CFDA Numbers 10.553 and 10.555

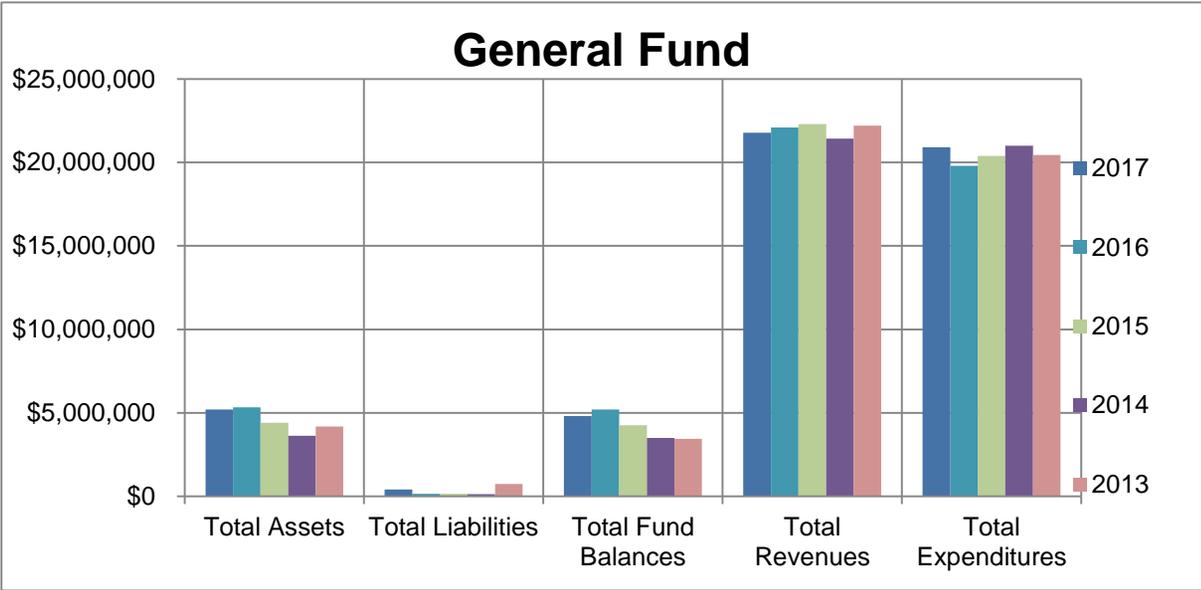
Condition – The District paid \$34,569 from child nutrition funds to purchase a vehicle without obtaining prior approval from the ADE, CNU. Approval was obtained subsequently from ADE CNU on February 7, 2017.

Current Status: The District has established a purchasing protocol for all future child nutrition fund purchases to ensure this oversight is not repeated.



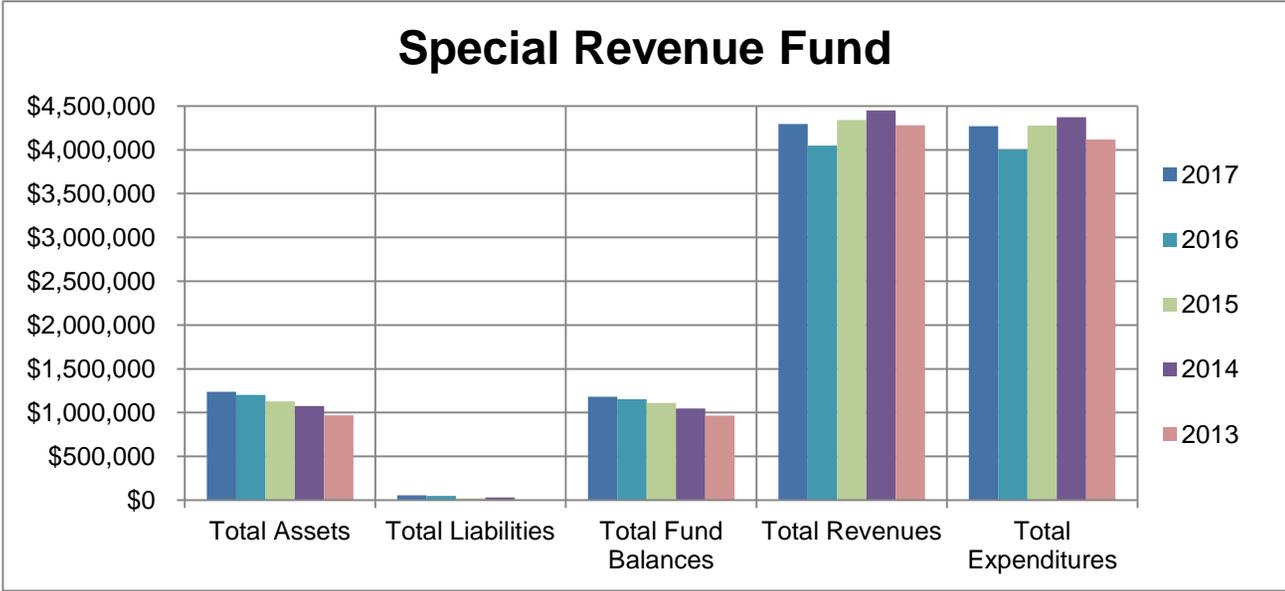
HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets	\$ 5,206,034	\$ 5,333,736	\$ 4,402,949	\$ 3,635,870	\$ 4,175,237
Total Liabilities	400,418	140,580	151,106	128,922	731,334
Total Fund Balances	4,805,616	5,193,156	4,251,843	3,506,948	3,443,903
Total Revenues	21,776,414	22,091,672	22,308,687	21,426,846	22,212,331
Total Expenditures	20,910,150	19,805,330	20,386,834	21,001,124	20,454,769
Total Other Financing Sources (Uses)	(1,253,804)	(1,345,029)	(1,176,958)	(362,677)	(1,469,638)



HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets	\$ 1,237,876	\$ 1,201,564	\$ 1,129,693	\$ 1,076,424	\$ 970,366
Total Liabilities	57,308	47,454	18,729	30,869	3,157
Total Fund Balances	1,180,568	1,154,110	1,110,964	1,045,555	967,209
Total Revenues	4,295,874	4,047,421	4,342,072	4,450,991	4,280,281
Total Expenditures	4,269,416	4,004,275	4,276,663	4,372,645	4,119,188
Total Other Financing Sources (Uses)					



HOPE SCHOOL DISTRICT NO. 1-A  
HEMPSTEAD COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets	\$ 2,075,252	\$ 4,704,264	\$ 1,163,989	\$ 1,768,786	\$ 4,575,299
Total Liabilities	462,120	417,902			46,947
Total Fund Balances	1,613,132	4,286,362	1,163,989	1,768,786	4,528,352
Total Revenues	554,742	382,060			9,379
Total Expenditures	4,666,697	2,663,118	1,857,179	3,778,964	4,748,573
Total Other Financing Sources (Uses)	1,438,725	5,403,431	1,252,382	1,019,398	2,288,002

