

RUSSELLVILLE SCHOOL DISTRICT NO. 14
Russellville, Arkansas

REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

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Michael L. Cobb

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Independent Auditors' Report

The Board of Education
Russellville School District No. 14
Russellville, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of Russellville School District No. 14 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Russellville School District No. 14'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the financial statements are prepared by Russellville School District No. 14, 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, to meet the requirements of the State of Arkansas.

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” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Russellville School District No. 14, as of June 30, 2017, or changes in financial position thereof 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 financial position of each major governmental fund and the aggregate remaining fund information of Russellville School District No. 14 as of June 30, 2017, and the respective changes in financial position thereof and the respective 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, as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Russellville School District No. 14's regulatory basis financial statements. The schedules of capital assets, billable units, and expenditures of state awards are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the regulatory basis financial statements.

The schedules of capital assets, billable units, and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate 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 schedules of capital assets, billable units, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2018, on our consideration of Russellville School District No. 14's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Russellville School District No. 14's internal control over financial reporting and compliance.



Certified Public Accountants
March 7, 2018

RUSSELLVILLE SCHOOL DISTRICT NO. 14
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash	\$ 11,302,434	\$ 77,194	\$ 2,622,288
Investments	-	-	-
Accounts Receivable	62,126	560,581	2,208
Deposit with Paying Agent	-	-	384,124
Due from Other Funds	<u>255,672</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 11,620,232</u>	<u>\$ 637,775</u>	<u>\$ 3,008,620</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 164,983	\$ -	\$ -
Governmental Payable	-	-	-
Due to Other Funds	-	255,672	-
Due to Student Groups	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>164,983</u>	<u>255,672</u>	<u>-</u>
 Fund Balances:			
Unreserved	11,455,249	-	-
Reserved	<u>-</u>	<u>382,103</u>	<u>3,008,620</u>
Total Fund Balances	<u>11,455,249</u>	<u>382,103</u>	<u>3,008,620</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 11,620,232</u>	 <u>\$ 637,775</u>	 <u>\$ 3,008,620</u>

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

Total Governmental <u>Funds</u>	Fiduciary Fund <u>Types</u>
\$ 14,001,916	\$ 182,552
-	54,542
-	-
624,915	-
384,124	-
255,672	-
<hr/>	<hr/>
\$ 15,266,627	\$ 237,094
<hr/>	<hr/>
\$ 164,983	\$ -
-	-
255,672	-
-	109,048
<hr/>	<hr/>
420,655	109,048
<hr/>	<hr/>
11,455,249	-
3,390,723	128,046
<hr/>	<hr/>
14,845,972	128,046
<hr/>	<hr/>
\$ 15,266,627	\$ 237,094
<hr/>	<hr/>

RUSSELLVILLE SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Local Property Taxes	\$ 34,642,410	\$ -	\$ 1,227,701	\$ 35,870,111
State Sources	17,422,370	17,887	-	17,440,257
Federal Sources	-	5,690,540	-	5,690,540
Food Services	-	605,887	-	605,887
Other Sources	739,567	-	420,478	1,160,045
Student Activities	509,852	-	-	509,852
Interest	6,265	1,440	106,781	114,486
Total Revenues	<u>53,320,464</u>	<u>6,315,754</u>	<u>1,754,960</u>	<u>61,391,178</u>
EXPENDITURES:				
<u>Instruction</u>				
Regular Instruction	20,362,519	17,930	189,538	20,569,987
Special Instruction	3,134,068	638,333	-	3,772,401
Vocational Instruction	643,898	-	-	643,898
Adult/Continuing Education Instruction	674,664	55,601	-	730,265
Compensatory Instruction	567,330	1,547,062	-	2,114,392
Other Instruction	2,787,751	55,868	4,506	2,848,125
Total Instruction	<u>28,170,230</u>	<u>2,314,794</u>	<u>194,044</u>	<u>30,679,068</u>
<u>Support Services</u>				
Student Support Services	2,005,903	567,877	-	2,573,780
Instructional Support Services	3,264,188	446,657	10,028	3,720,873
General Administration Services	524,112	49,677	-	573,789
School Administration Services	2,610,826	-	4,153	2,614,979
Business Support Services	2,890,396	-	85,936	2,976,332
Other Support Services	130,856	-	-	130,856
Operations and Maintenance	5,876,202	660	2,294,619	8,171,481
Pupil Transportation Services	1,474,204	618	1,656	1,476,478
Non Program Services	-	-	-	-
Food Services	-	2,780,718	-	2,780,718
Community Services	175,217	29,898	-	205,115
Debt Service - Principal	-	-	8,005,000	8,005,000
Debt Service - Interest	-	-	2,285,227	2,285,227
Activity Expenditures	484,229	-	-	484,229
Capital Outlays	322,066	8,578	513,644	844,288
Building Acquisitions/Services	3,750	-	4,575,646	4,579,396
Total Support Services	<u>19,761,949</u>	<u>3,884,683</u>	<u>17,775,909</u>	<u>41,422,541</u>
Total Expenditures	<u>47,932,179</u>	<u>6,199,477</u>	<u>17,969,953</u>	<u>72,101,609</u>

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

RUSSELLVILLE SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Excess of Revenues Over (Under) Expenditures	\$ 5,388,285	\$ 116,277	\$ (16,214,993)	\$ (10,710,431)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	8,640,000	8,640,000
QSCB Earnings	-	-	-	-
Bond Issuance Costs	-	-	(247,392)	(247,392)
Transfers In	-	965	5,185,419	5,186,384
Transfers Out	(5,186,384)	-	-	(5,186,384)
Sale of Capital Assets	640	-	-	640
Total Other Financing Sources (Uses)	<u>(5,185,744)</u>	<u>965</u>	<u>13,578,027</u>	<u>8,393,248</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	202,541	117,242	(2,636,966)	(2,317,183)
Fund Balances, Beginning of Year	<u>11,252,708</u>	<u>264,861</u>	<u>5,645,586</u>	<u>17,163,155</u>
Fund Balances, End of Year	<u>\$ 11,455,249</u>	<u>\$ 382,103</u>	<u>\$ 3,008,620</u>	<u>\$ 14,845,972</u>

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

RUSSELLVILLE SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL
AND SPECIAL REVENUE FUNDS- REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL FUND		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property Taxes	\$ 34,376,000	\$ 34,642,410	\$ 266,410
Federal Sources	-	-	-
State Sources	17,391,156	17,422,370	31,214
Other Local Sources	-	-	-
Intermediate Sources	-	-	-
Food Services	-	-	-
Other Sources	610,500	739,567	129,067
Student Activities	-	509,852	509,852
Interest	20,700	6,265	(14,435)
Total Revenues	<u>52,398,356</u>	<u>53,320,464</u>	<u>922,108</u>
Expenditures:			
Instruction:			
Regular Instruction	20,350,270	20,362,519	(12,249)
Special Instruction	3,244,377	3,134,068	110,309
Vocational Instruction	558,546	643,898	(85,352)
Adult Continuing Education Instruction	737,017	674,664	62,353
Compensatory Instruction	597,082	567,330	29,752
Other Instruction	2,794,043	2,787,751	6,292
Total Instruction	<u>28,281,335</u>	<u>28,170,230</u>	<u>111,105</u>
Support Services:			
Student Support Services	1,739,017	2,005,903	(266,886)
Instructional Staff Services	3,332,149	3,264,188	67,961
General Administration Services	627,515	524,112	103,403
School Administration Services	2,751,805	2,610,826	140,979
Business Support Services	3,058,519	2,890,396	168,123
Operations & Maintenance	5,683,657	5,876,202	(192,545)
Pupil Transportation Services	1,602,821	1,474,204	128,617
Food Services	-	-	-
Other Support Services	136,203	130,856	5,347
Community Services	189,438	175,217	14,221
Indirect Costs	-	-	-
Nonprogram Services	-	-	-
Activity Expenditures	-	484,229	(484,229)
Building Acquisition	-	3,750	(3,750)
Capital Outlay	296,937	322,066	(25,129)
Total Support Services	<u>19,418,061</u>	<u>19,761,949</u>	<u>(343,888)</u>
Total Expenditures	<u>47,699,396</u>	<u>47,932,179</u>	<u>(232,783)</u>
Excess of Revenues Over (Under) Expenditures	<u>4,698,960</u>	<u>5,388,285</u>	<u>689,325</u>
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(5,190,639)	(5,186,384)	4,255
Sale of Capital Assets	-	640	640
Total Other Financing Sources (Uses)	<u>(5,190,639)</u>	<u>(5,185,744)</u>	<u>4,895</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(491,679)	202,541	694,220
Fund Balance - Beginning of Year	10,879,737	11,252,708	372,971
Fund Balance - End of Year	<u>\$ 10,388,058</u>	<u>\$ 11,455,249</u>	<u>\$ 1,067,191</u>

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

SPECIAL REVENUE FUND

<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ -	\$ -	\$ -
5,885,948	5,690,540	(195,408)
22,483	17,887	(4,596)
-	-	-
-	-	-
449,356	605,887	156,531
-	-	-
-	-	-
3,381	1,440	(1,941)
<u>6,361,168</u>	<u>6,315,754</u>	<u>(45,414)</u>
34,525	17,930	16,595
699,660	638,333	61,327
-	-	-
63,179	55,601	7,578
1,644,275	1,547,062	97,213
88,856	55,868	32,988
<u>2,530,495</u>	<u>2,314,794</u>	<u>215,701</u>
559,490	567,877	(8,387)
680,172	446,657	233,515
53,960	49,677	4,283
-	-	-
-	-	-
100	660	(560)
10,700	618	10,082
2,476,796	2,780,718	(303,922)
-	-	-
37,371	29,898	7,473
-	-	-
-	-	-
-	-	-
-	-	-
16,325	8,578	7,747
<u>3,834,914</u>	<u>3,884,683</u>	<u>(49,769)</u>
<u>6,365,409</u>	<u>6,199,477</u>	<u>165,932</u>
<u>(4,241)</u>	<u>116,277</u>	<u>120,518</u>
-	965	965
-	-	-
-	-	-
<u>-</u>	<u>965</u>	<u>965</u>
(4,241)	117,242	121,483
264,860	264,861	1
<u>\$ 260,619</u>	<u>\$ 382,103</u>	<u>\$ 121,484</u>

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a group of seven (7) permanent members, is the level of government which has governing responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Russellville School District No. 14 (the District). The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board of Education is not included in any other governmental "reporting entity", since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Only the accounts of the Russellville School District No. 14 are included in these statements, and there are no component units that are or should be included in the District's reporting entity.

B. Basis of Presentation

(1) Regulatory Basis of Presentation

The financial statements are prepared in accordance with a regulatory basis of accounting. This basis of accounting is prescribed by Arkansas Code Annotated 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, at 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 the 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.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

(1) Regulatory Basis of Presentation (Continued)

The regulatory basis of accounting differs from the accounting principles generally accepted in the United States of America (GAAP). GAAP requires that basic financial statements, in addition to presenting entity-wide financial statements, incorporate the following: Management's Discussion and Analysis, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, capital assets, other non-financial assets and long-term liabilities, specific procedures for the identification of major governmental funds and applicable note disclosures. The prescribed regulatory basis does not require these statements and concepts, nor does it generally adhere to or address pronouncements of the Governmental Accounting Standards Board (GASB).

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 financial sources and uses.

C. Fund Accounting

Fund accounting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds as prescribed under the regulatory basis:

(1) General Fund

The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Arkansas.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

(2) Special Revenue Fund

The Special Revenue Fund is used to account for specific revenue sources which are designated by law or contractual agreement for specified functions or activities and are legally required to be accounted for in separate funds.

(3) Other Governmental Funds

Other governmental funds consist of the Debt Service Fund and the Capital Projects Fund. The Debt Service Fund is used for accumulation of resources for payment of principal, interest and related costs on general long-term debt. Payments for retirement of principal and interest are remitted to independent fiscal paying agents. The Capital Projects Fund is used to account for financial resources that will be expended for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governments).

(4) Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is made up of agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurements of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

D. Regulatory Basis of Accounting / Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Regulatory Basis of Accounting / Measurement Focus (Continued)

The regulatory basis financial statements are prepared using a current financial resources measurement focus and the modified accrual basis of accounting, with some exception. With the exception of property taxes, revenues are recognized when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

With the exception of property taxes, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. State and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual.

(1) Revenue-Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from the non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, grants, and student fees.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Regulatory Basis of Accounting / Measurement Focus (Continued)

(2) Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, there is no deferred revenue.

(3) Expenses/Expenditures

Expenditures are recorded when the liability is incurred, except for claims, compensated absences, and interest on long-term debt, which are not recorded until paid. Proceeds from issuance of long-term debt are recognized when received and payment of long-term debt principal is reported as an expenditure when paid.

E. Investments

The District's investments consist solely of certificates of deposit reported at historical cost, which approximates fair value.

F. Property Taxes

Property taxes are levied in November based on property assessments made between January 1st and May 31st, and are an enforceable lien on January 1st for real property and June 1st for personal property. The taxes are payable between January and October 15th of the following year and are considered delinquent after October 15th.

Property taxes shall be accrued or deferred, as applicable, in accordance with guidelines issued by the Arkansas Department of Education (ADE). Arkansas law defines revenue receipts of a school district as actual proceeds of local taxes collected during the current fiscal year.

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. Arkansas Code Annotated § 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 report purposes, URT revenues are considered property taxes.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

Capital asset purchases are recorded as expenditures at the time of purchase and depreciation is not recognized. Information on capital assets and related depreciation is reported in the schedule of capital assets. For this schedule, capital assets are capitalized at historical cost or estimated historical cost.

I. Accounts Payable and Long-term Obligations

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences, interest, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

J. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Reserved fund balances represent that portion of the fund balance which is not appropriable for expenditure, or is legally segregated for a specific future use.

K. Fund Designations

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the District's intentions and is subject to change. Designations are reported as part of unreserved fund balance. Designations represent amounts set-aside for budget stabilization which exceeds the statutory required amount.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Estimates

The preparation of the financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Budget and Budgetary Accounting

The District is required by Arkansas State Law to prepare an annual budget approved by the School Board and submitted to the Arkansas Department of Education by September 15 of the current fiscal year. The annual budget is prepared on the regulatory basis of accounting. The District does not prepare and submit amended budgets during the fiscal year to the Department of Education.

NOTE 2: CASH AND INVESTMENTS

Arkansas statutes allow each local district the right to determine the depositories in which to deposit District funds and the amounts and type of investments in which to invest District funds, provided, however, that investments are limited specifically to bonds or notes of the United States of America, general obligation bonds of the State of Arkansas, or bank certificates of deposit. At June 30, 2017, the District's cash consisted of demand deposits at two local depository banks.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all deposits with federal depository insurance (FDIC); a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; and the bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by a bond executed by a surety company authorized to do business in the State of Arkansas.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The carrying amount of total deposits, amount of the total bank balances, and the custodial credit risk at June 30, 2017, are summarized as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC) and Collateralized	\$ 14,239,010	\$ 15,678,475
Uninsured, Uncollateralized	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 14,239,010</u>	<u>\$ 15,678,475</u>

The total cash includes certificates of deposits of \$54,542 reported as investments.

The carrying value of the above-mentioned cash deposits at June 30, 2017, is included in the accompanying financial statements as follows:

Total Governmental Funds	\$ 14,001,916
Fiduciary Fund Types	<u>237,094</u>
Total	<u>\$ 14,239,010</u>

NOTE 3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$624,915 at June 30, 2017, consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Federal Sources	\$ -	\$ 560,581	\$ 2,208	\$ 562,789
Local Sources	<u>62,126</u>	<u>-</u>	<u>-</u>	<u>62,126</u>
Totals	<u>\$ 62,126</u>	<u>\$ 560,581</u>	<u>\$ 2,208</u>	<u>\$ 624,915</u>

NOTE 4: BONDED AND NON-BONDED DEBT

A. Debt Descriptions

On June 1, 2011, the District obtained funding of \$935,000 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. The interest is partially subsidized by the federal government on a semi-annual basis.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4: BONDED AND NON-BONDED DEBT (CONTINUED)

A. Debt Descriptions (continued)

On 11/5/2016 the District issued refunding bonds in the amount of \$ 3,215,000 which were used to retire the 6/1/2012 bond issue with a principal balance of \$3,070,000. The refunding bonds will mature on 2/01/2038 and bear interest rates of 1.00% to 2.625%.

The District issued Construction Bonds on 12/6/2016 in the amount of \$2,840,000. The bond proceeds will be utilized to construct and equip an addition to Oakland Heights Elementary School and demolish an old middle school building. The bonds have interest rates of 1.20% to 3.00% and the final maturity is 2/01/2038.

Construction Bonds in the amount of \$ 2,585,000 were issued on 4/3/2017. The purpose of the bond funds are to finance the re-roofing of the middle school. This bond issue will mature on 2/01/2038 and will bear interest at the rates of 1.20% to 3.00%.

The funds held in escrow from the 5/1/2016 bond issue were utilized to retire the 8/1/2011 bond with a principal balance of \$ 1,840,000 on August 1, 2016.

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.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4: BONDED AND NON-BONDED DEBT (CONTINUED)

B. Long-term Debt Details at June 30, 2017

<u>Date of Issue</u>	<u>Date of Final Maturities</u>	<u>Interest Rate Percent</u>	<u>Amount of Original Issue</u>	<u>Total Retired Debt at June 30, 2017</u>	<u>Debt Outstanding June 30, 2017</u>
11/23/2010	11/01/2018	3.00-3.75%	\$ 4,629,095	\$ 4,264,095	\$ 365,000
08/15/2012	02/01/2038	2.00-3.75%	31,195,000	1,770,000	29,425,000
05/15/2011	02/01/2038	1.00-2.125%	4,750,000	3,995,000	755,000
06/01/2012	02/01/2038	2.00-4.00%	3,505,000	3,505,000	-
12/15/2013	02/01/2038	1.00-4.20%	9,900,000	865,000	9,035,000
06/01/2011	06/01/2026	4.90%	935,000	-	935,000
08/01/2011	02/01/2038	0.70-4.30%	2,170,000	2,170,000	-
07/01/2014	02/01/2038	0.90-3.50%	2,175,000	230,000	1,945,000
12/01/2014	02/01/2038	0.85-3.50%	2,400,000	150,000	2,250,000
05/01/2015	02/01/2038	3.00-3.50%	9,960,000	230,000	9,730,000
06/01/2015	02/01/2038	0.40-3.37%	6,695,000	500,000	6,195,000
08/01/2015	02/01/2038	2.00-3.50%	1,815,000	140,000	1,675,000
05/01/2016	02/01/2038	1.05-2.85%	1,935,000	-	1,935,000
11/08/2016	02/01/2038	1.00-2.625%	3,215,000	-	3,215,000
12/06/2016	02/01/2038	1.20-3.00%	2,840,000	-	2,840,000
04/03/2017	02/01/2038	1.20-3.00%	2,585,000	-	2,585,000
Total Bonded Debt			\$ 90,704,095	\$ 17,819,095	\$ 72,885,000

C. Long-term Debt Change for the Year Ended June 30, 2017

	<u>Balance June 30, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2017</u>
Bonds Payable	\$ 72,250,000	\$ 8,640,000	\$ 8,005,000	\$ 72,885,000
TOTAL	\$ 72,250,000	\$ 8,640,000	\$ 8,005,000	\$ 72,885,000

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4: BONDED AND NON-BONDED DEBT (CONTINUED)

D. Principal and Interest Payments for Years Subsequent to June 30, 2017

Year Ended			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	3,470,000	2,253,269	5,723,269
2019	2,600,000	2,178,691	4,778,691
2020	2,675,000	2,128,531	4,803,531
2021	2,740,000	2,060,539	4,800,539
2022	2,805,000	1,989,476	4,794,476
2023-2027	16,105,000	8,713,582	24,818,582
2028-2032	17,485,000	6,169,656	23,654,656
2033-2037	20,475,000	3,060,730	23,535,730
2038	4,530,000	164,054	4,694,054
	<u>\$ 72,885,000</u>	<u>\$ 28,718,528</u>	<u>\$ 101,603,528</u>

NOTE 5: RETIREMENT PLANS

A. Arkansas Teacher Retirement System

- (1) Plan Description - The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution 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. The report can be obtained by writing to ATRS, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5: RETIREMENT PLANS (CONTINUED)

A. Arkansas Teacher Retirement System (Continued)

- 2) Funding Policy - ATRS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salaries. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14% of covered salaries.

The employer contribution was paid by the Arkansas Department of Education from the public school fund, except for those employees paid from federal funding. Employer contributions for those employees were paid by the District. Beginning July 1, 1993, the employer contribution for nonfederally funded members became the lesser of the result of multiplying the applicable percent of active member payroll for the fiscal year by the total covered reported salaries of the previous fiscal year, including any prior year reported salaries, or the amount appropriated by the Arkansas General Assembly. The amount appropriated is limited to the amount funded. The Department of Education determines the amount funded.

The District's contributions to ATRS for the years ended June 30, 2017, 2016, and 2015 were approximately \$4,418,514, \$4,383,461, and \$4,436,535 respectively, equal to the required contributions for each year.

(3) Net Pension Liability

The Arkansas Department of Education has stipulated that under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 are 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 \$47,192,473.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5: RETIREMENT PLANS (CONTINUED)

B. Arkansas Public Employees Retirement System

(1) 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 Arkansas public school employees hired before July 1, 1989. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution 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. That report may be obtained by writing to APERS, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

(2) Funding Policy - APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salaries. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly.

The current statutory employer rate is 4% of annual covered payroll. The District's contributions to APERS for the years ended June 30, 2017, 2016, and 2015 were \$4,708, \$5,707, and \$7,144, respectively, equal to the required contributions for each year.

(3) Net Pension Liability

The Arkansas Department of Education has stipulated that under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 are 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 \$48,241.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6: INTERFUND TRANSFERS

Interfund transfers consist primarily of transfers from the General Fund to the Debt Service Fund for the payment of scheduled debt service expenditures. Interfund transfers for the year ended June 30, 2017, are summarized as follows:

<u>Transfer From</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total</u>
General Fund	\$ 965	\$ 5,185,419	\$ 5,186,384

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District has joined with other school districts to form the Arkansas School Board Association Self-Insurance Program, a public entity risk pool currently operating as a common risk management and insurance program for its members. The District pays an annual premium to the Pool for its property insurance. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts.

NOTE 8: COMMITMENTS

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

A. Construction Contracts

<u>Project Name</u>	<u>Total Construction & Architect Contracts</u>	<u>Contract Balance</u>
Multipurpose Facility Project	\$ 360,000	\$ 144,000
Middle School Reroof	2,418,000	491,061
Totals	<u>\$ 2,778,000</u>	<u>\$ 635,061</u>

Other construction projects that are in progress at June 30, 2017 includes parking lots for two schools which are committed through purchase orders in the total amount of \$184,575. The balance on the purchase orders is \$175,224.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8: COMMITMENTS(CONTINUED)

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

The District has the following leases:

<u>Description</u>	<u>Term</u>	<u>Monthly Payment</u>	<u>Annual Payment</u>
Dell Technology Equipment	36 months	\$ -	\$ 106,207
1,150 Lenovo ThinkPad Chromebooks	36 months	\$ 23,858	\$ -
80 Thinkpad Chromebooks	36 months	\$ 1,546	\$ -
1,200 Thinkpads and accessories	36 months	\$ -	\$ 223,348

Future minimum rental payments (aggregate) at June 30, 2017 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	338,831
2019	329,555
2020	223,348
2021	-
2022	-
	<u>\$ 891,734</u>

Rental payments for the operating leases were \$467,385 for the year ended June 30, 2017

C. Food Service Contract

The District contracted with a Food Service Management Company (FSMC) to operate the food services of the District for the year ending June 30, 2017. The cost associated with this program was \$2,508,152.

The District renewed their contract with FSMC for the 2017 / 2018 school year. The anticipated cost for food services under this agreement for the year ended June 30, 2017 will be \$2,686,395.

D. Employee Severance Plan

The District contracted with a billing service company to implement an Employee Severance Plan which will result in lower personnel costs. This is a three year plan with two payments of \$648,169 being paid during the year ended June 30, 2017 and June 30, 2016. A payment of \$648,169 is due in the year ending June 30, 2018.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9: 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 \$1,175,363 for the year ended June 30, 2017.

NOTE 10: SUBSEQUENT EVENTS

Subsequent to June 30, 2017 the following occurred:

- 1) On October 17, 2017 the Board approved the guaranteed maximum price of \$5,458,601 for the Russellville High School Indoor Multi-Purpose Facility.
- 2) The Board approved a resolution authorizing the issuance of second lien construction bonds in the amount of \$6,365,000 on November 14, 2017.

Except as noted above, Russellville School District No. 14 did not have any recognized or nonrecognized subsequent events occur after June 30, 2017, the date of the balance sheet. Subsequent events have been evaluated through March 7, 2018, the date the financial statements were available to be issued.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 SCHEDULE OF CAPITAL ASSETS
 JUNE 30, 2017

	Balance <u>June 30, 2017</u>
Nondepreciable Capital Assets:	
Land	\$ 2,068,049
Construction in Progress	<u>2,181,789</u>
Total Nondepreciable	<u>4,249,838</u>
 Depreciable Capital Assets	
Buildings	127,087,353
Site Improvements	4,266,323
Equipment	<u>16,161,836</u>
Total Depreciable Capital Assets	<u>147,515,512</u>
 Less Accumulated Depreciation	 <u>45,608,516</u>
 Total Depreciable Capital Assets, Net	 <u>101,906,996</u>
 Capital Assets, Net	 <u><u>\$ 106,156,834</u></u>

See independent auditors' report on supplementary schedules.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 NOTES TO SCHEDULE OF CAPITAL ASSETS (SCHEDULE 1)
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: CAPITAL ASSETS

Capital assets generally result from expenditures in the governmental funds. These assets are not reported in the fund financial statement balance sheet – regulatory basis.

Capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the assets or materially extend an asset’s life are not capitalized. Interest incurred during construction is not capitalized.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Capital assets not being depreciated include land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Since surplus assets are sold for immaterial amounts when declared as no longer needed for public school purposes, no salvage value is taken into consideration for depreciation purposes. Depreciation is computed using the straight-line method over the estimated useful life of the assets. The District has established capitalization thresholds and estimated useful lives as follows:

<u>Description</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Lives in Years</u>
Land	All	-
Construction in Progress	All	-
Buildings	All	50
Vehicles	\$1,000	8
Equipment	\$1,000	5-20

RUSSELLVILLE SCHOOL DISTRICT NO. 14
SCHEDULE OF BILLABLE UNITS
SCHOOL BREAKFAST PROGRAM AND
NATIONAL SCHOOL LUNCH PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017

<u>Description</u>	<u>Number of Units</u>	<u>Rate</u>	<u>Revenue</u>
Meals Rendered in Accordance with U.S. Department of Agriculture Child Nutrition Program:			
Breakfast			
Paid	30,408	\$ 0.29	\$ 8,818
Free - Severe	224,128	2.04	457,221
Reduced - Severe	<u>24,211</u>	1.74	<u>42,127</u>
Total Breakfast	<u>278,747</u>		<u>508,166</u>
Lunch			
Paid	97,300	0.32	31,136
Free	388,000	3.18	1,233,840
Reduced Price	<u>54,225</u>	2.78	<u>150,746</u>
Total Lunch	<u>539,525</u>		<u>1,415,722</u>
Snack			
Free	4,486	0.86	3,858
Reduced	52	0.43	22
Paid	<u>293</u>	0.07	<u>21</u>
Total Snack	<u>4,831</u>		<u>3,901</u>
Total	<u>823,103</u>		1,927,789
Performance Based Reimbursement (1)			<u>32,372</u>
Total Revenue			<u>\$ 1,960,161</u>

See independent auditors' report on supplementary schedules.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE 3)
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Disbursements/ Expenditures
<u>U.S. Department of Education:</u>		
Passed-Through Arkansas Department of Education:		
Adult Education - Basic Grants to States	84.002	\$ 55,601
Title I	84.010	1,619,598
Special Education, IDEA, Part B	84.027	968,218
Education for Homeless Children and Youth	84.196	28,527
Title III, English Language Acquisition	84.365	52,888
Title III, Recent Immigrant	84.365	6,637
Improving Teacher Quality	84.367	208,559
Total U.S. Department of Education		<u>2,940,028</u>
<u>U.S. Department of Agriculture</u>		
Child Nutrition Cluster:		
Passed-Through the Arkansas Department of Education:		
School Breakfast Program	10.553	508,166
National School Lunch Program	10.555	1,451,994
Total U.S. Department of Agriculture		<u>1,960,160</u>
Passed-Through the State Department of Human Services:		
Food Distribution	10.555	182,175
Total Child Nutrition Cluster		<u>2,142,335</u>
Passed-Through the State Department of Human Services:		
DCCECE Child Care and Adult Care Food Program	10.558	20,174
State Administrative Matching Grant for the Supplemental Nutrition Program	10.561	55,604
Total Pass-Through DHS		<u>75,778</u>
Total U.S. Department of Agriculture		<u>2,218,113</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-Through the State Department of Human Services:		
Child Care and Development Block Grant	93.575	155,639
Foster Care, Title IV-E	93.658	156,248
TOTAL		<u>\$ 5,470,028</u>

See independent auditors' report on supplementary schedules.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 SCHEDULE OF EXPENDITURES OF STATE AWARDS (SCHEDULE 4)
 FOR THE YEAR ENDED JUNE 30, 2017

<u>Grantor</u>	<u>Contract Number/ Appropriation</u>	<u>Expenditures</u>
<u>Arkansas Department of Education:</u>		
Arkansas Better Chance Program	N/A	\$ 755,860
<u>Arkansas Department of Human Services:</u>		
State-funded Foster Care	N/A	<u>4,294</u>
TOTAL		<u>\$ 760,154</u>

See independent auditors' report on supplementary schedules.

RUSSELLVILLE SCHOOL DISTRICT NO. 14
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal awards program and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (OMB Uniform Guidance). The accompanying Schedule of Expenditures of State Awards is a summary of activity of the District's state grants awarded by the Arkansas Department of Human Services. These schedules have been prepared on the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the presentation of the basic financial statements.

The District did not elect to use the 10% de minimis indirect cost rate as permitted by OMB Uniform Guidance.

NOTE 2: NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. For the year ended June 30, 2017, the District received \$182,175 in food commodities.

NOTE 3: MEDICAID

During the year ended June 30, 2017, the District received Medicaid funding of \$256,563 from the State Department of Human Services as well as \$185,410 of ARMAC Medicaid Administrative Claiming funds. Such payments are not considered federal awards expended, therefore they are not included in the Schedule of Expenditures of Federal Awards.

COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Education
Russellville School District No. 14
Russellville, Arkansas

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 Standard* issued by the Comptroller General of the United States, the financial statements of each major governmental fund, and the aggregate remaining fund information of Russellville School District No. 14, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Russellville School District No. 14 Russellville School District No. 14's regulatory basis financial statements, and have issued our report thereon dated March 7, 2018. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code Section 10-4-413(c), 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 financial statements, we considered Russellville School District No. 14's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Russellville School District No. 14's internal control. Accordingly, we do not express an opinion on the effectiveness of Russellville School District No. 14'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these 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 Russellville School District No. 14's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
March 7, 2018

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report on Compliance for Each Major Program And on Internal Control over Compliance Required by the Uniform Guidance

The Board of Education
Russellville School District No. 14
Russellville, Arkansas

Report on Compliance for Each Major Federal Program

We have audited Russellville School District No. 14's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Russellville School District No. 14's major federal programs for the year ended June 30, 2017. Russellville School District No. 14'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 Russellville School District No. 14'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 Russellville School District No. 14'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 Russellville School District No. 14's compliance.

Opinion on Each Major Federal Program

In our opinion, Russellville School District No. 14, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Russellville School District No. 14 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 Russellville School District No. 14'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 Russellville School District No. 14's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We 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 Board of Education
Russellville School District No. 14
Page Three

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.

Cobb and Suskie, Ltd.

Certified Public Accountants
March 7, 2018

RUSSELLVILLE SCHOOL DISTRICT NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I: SUMMARY OF AUDITORS' RESULTS

1. Type of Report Issued, Financial Statements
The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. Significant Deficiencies, Financial Statements
No significant deficiencies were disclosed during the audit of the basic financial statements.
3. Material Noncompliance, Financial Statements
No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant Deficiencies, Major Programs
No significant deficiencies were disclosed during the audit of the major federal award programs.
5. Type of Report Issued, Compliance
The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit Findings Under Section 510(a)
As reported below, there were no audit findings relative to the major federal award programs.
7. Major Programs
Child Nutrition Cluster, CFDA Numbers 10.553 and 10.555
8. Threshold between Type A and Type B Programs
The threshold for distinguishing Type A and B programs was \$750,000.
9. Type of Auditee
Russellville School District No. 14 qualified as a low-risk auditee as that term is defined by OMB Uniform Guidance.

Section II: FINANCIAL STATEMENT FINDINGS

1. Significant Deficiencies
None
2. Significant Deficiencies – Prior Year
None

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report on Compliance With Arkansas State Requirements

The Board of Education
Russellville School District No. 14
Russellville, Arkansas

We have examined management's assertions that Russellville School District No. 14 substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2017. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Russellville School District No. 14 complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2017.

This report is intended solely for the information and use of the School Board, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
March 7, 2018

RUSSELLVILLE SCHOOL DISTRICT NO. 14
 SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
 TO BE ADDRESSED IN INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
 FOR THE YEAR ENDED JUNE 30, 2017

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding and Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628, 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201 – 6-20-1208, 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.
• District Treasurer	6-13-701
○ Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 - 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws – Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or more (Certified & Classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teacher and Employees	
• Personnel Policies	6-17-201 et seq.; 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees.

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Michael L. Cobb

Anne Suskie Pinyan

MANAGEMENT LETTER

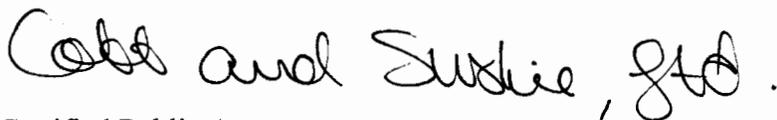
The Board of Education
Russellville School District No. 14
Russellville, Arkansas

In planning and performing our audit of the financial statements of Russellville School District No. 14 as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Russellville School District No. 14's internal control over financial reporting as a basis for designing in our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control.

However, during our audit we became aware of a certain matter that provides opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion regarding this matter. We previously reported on Russellville School District No. 14's internal control over financial reporting in our report dated March 7, 2018. This letter does not affect our report dated March 7, 2018, on the financial statements of Russellville School District No. 14.

Management's response to these findings and recommendations accompanies this management letter. We did not audit the District's response; and, accordingly, we do not express an opinion on it.

We will review the status of our comment during the next audit engagement. We have already discussed our comment and recommendation with certain Russellville School District No. 14 personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Certified Public Accountants
March 7, 2018

RUSSELLVILLE SCHOOL DISTRICT NO. 14
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

1. FOOD SERVICE

Our test of fifteen Free and Reduced Meal Applications revealed that one of these applications contained an error in determining status due to incorrect calculation of monthly income. As a result, the application that was assigned Free status when it should have been Reduced.

We recommend that the District ensure that personnel responsible for processing and approving free and reduced meal applications exercise due care in the calculation of each applicant's income.



**Justin Robertson, CFO and
Assistant to the Superintendant**

Sincerely,

A handwritten signature in black ink, appearing to read "Justin R", is written over the typed name.

Mr. Justin Robertson
Chief Financial Officer/
Asst. to the Superintendent

cc: Dr. Mark Gotcher
Superintendent
Russellville School District



**Justin Robertson, CFO and
Assistant to the Superintendent**

March 7, 2018

Mr. Mike Cobb
Cobb & Suskie, LTD,
Certified Public Accountants
650 S. Shackelford Rd., Suite 400
P.O. Box 21675
Little Rock, AR. 72221-1675

RE: Management Letter Findings – Management Action Plan – Audit Ending, June 30, 2017

Mr. Mike Cobb:

The following is our response to the management letter findings regarding Audit Year Ending, June 30, 2017, as presented to the Russellville School District by Cobb & Suskie, LTD.

Contact person responsible for corrective action is: Mr. Justin Robertson, Chief Financial Officer/Asst. to the Superintendent.

Management Letter Findings:

1. Food Service

Finding: Testing of fifteen Free and Reduced Meal Applications revealed that one of these applications contained an error in determining status due to incorrect calculation of monthly income. As a result, the application that was assigned Free status when it should have been Reduced.

Management Action Plan

District management shall make every effort to ensure that personnel responsible for processing and approving free and reduced meal applications exercise due care in the calculation of each applicant's income.