

**Prescott School District No. 14**

**Nevada County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2015**

LEGISLATIVE JOINT AUDITING COMMITTEE



PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
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# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Linda Chesterfield**  
Senate Vice Chair



**Rep. Mary Broadaway**  
House Chair  
**Rep. Sue Scott**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Prescott School District No. 14 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 Prescott School District No. 14 (the "District"), as of and for the year ended June 30, 2015, 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 *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 disclosure 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, 2015, 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, 2015, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Schedule of Capital Assets, and the Schedule of Selected Information for the Last Five Years - Regulatory Basis 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 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 February 25, 2016 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 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 the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
February 25, 2016  
EDSD26815

# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Linda Chesterfield**  
Senate Vice Chair



**Rep. Mary Broadaway**  
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

Prescott School District No. 14 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 Prescott School District No. 14 (the "District"), as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated February 25, 2016. 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, 2015, 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 were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, 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*.

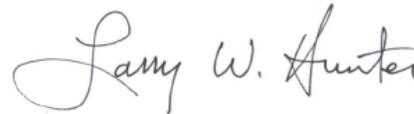
### **District's Response to Findings**

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 result 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  
February 25, 2016

# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Linda Chesterfield**  
Senate Vice Chair



**Rep. Mary Broadway**  
House Chair  
**Rep. Sue Scott**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

### INDEPENDENT AUDITOR'S REPORT

Prescott School District No. 14 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Prescott School District No. 14 (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

#### **Report on Internal Control Over Compliance**

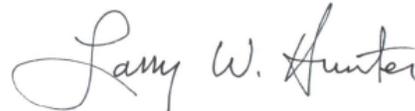
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 25, 2016

PRESCOTT SCHOOL DISTRICT NO. 14  
 NEVADA COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2015

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 2,229,414	\$ 69,787	\$ 1,170,337	\$ 40,077
Investments				10,000
Accounts receivable	10,287	188,199	280,520	7,350
<b>TOTAL ASSETS</b>	<b>\$ 2,239,701</b>	<b>\$ 257,986</b>	<b>\$ 1,450,857</b>	<b>\$ 57,427</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 655,708	\$ 81,013	\$ 534,508	\$ 732
Due student groups				44,882
<b>Total Liabilities</b>	<b>655,708</b>	<b>81,013</b>	<b>534,508</b>	<b>45,614</b>
Fund Balances:				
Nonspendable				10,000
Restricted	84,163	176,973	400,188	1,813
Assigned	51,146		516,161	
Unassigned	1,448,684			
<b>Total Fund Balances</b>	<b>1,583,993</b>	<b>176,973</b>	<b>916,349</b>	<b>11,813</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,239,701</b>	<b>\$ 257,986</b>	<b>\$ 1,450,857</b>	<b>\$ 57,427</b>

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

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 1,335,542		\$ 539,559
State assistance	6,470,870	\$ 4,269	2,745,613
Federal assistance		1,448,532	
Activity revenues	108,713		
Meal sales		71,829	
Investment income	5,725	924	
Other revenues	125,765	1,712	
<b>TOTAL REVENUES</b>	<b>8,046,615</b>	<b>1,527,266</b>	<b>3,285,172</b>
EXPENDITURES			
Regular programs	3,182,704		
Special education	288,850	149,653	
Career education programs	328,531		
Compensatory education programs	145,993	381,234	
Other instructional programs	355,379		
Student support services	330,707	109,490	
Instructional staff support services	463,964	118,370	
General administration support services	204,723	18,726	
School administration support services	352,829		
Central services support services	549,751		
Operation and maintenance of plant services	1,383,917		
Student transportation services	312,507	17,801	
Other support services	12,856	10,693	
Food services operations		597,976	
Facilities acquisition and construction services			5,084,384
Non-programmed costs	6,521	19,413	
Activity expenditures	108,763		
Debt Service:			
Principal retirement	62,250		100,000
Interest and fiscal charges	9,900		183,451
<b>TOTAL EXPENDITURES</b>	<b>8,100,145</b>	<b>1,423,356</b>	<b>5,367,835</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(53,530)</b>	<b>103,910</b>	<b>(2,082,663)</b>
OTHER FINANCING SOURCES (USES)			
Compensation for loss of capital assets	70,964		
Proceeds from installment contract	318,487		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>389,451</b>		
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>335,921</b>	<b>103,910</b>	<b>(2,082,663)</b>
FUND BALANCES - JULY 1	1,248,072	73,063	2,999,012
FUND BALANCES - JUNE 30	<u>\$ 1,583,993</u>	<u>\$ 176,973</u>	<u>\$ 916,349</u>

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

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 1,220,317	\$ 1,335,542	\$ 115,225			
State assistance	6,390,294	6,470,870	80,576	\$ 3,800	\$ 4,269	\$ 469
Federal assistance				1,369,117	1,448,532	79,415
Activity revenues		108,713	108,713			
Meal sales				77,000	71,829	(5,171)
Investment income	6,000	5,725	(275)	660	924	264
Other revenues	47,500	125,765	78,265		1,712	1,712
<b>TOTAL REVENUES</b>	<b>7,664,111</b>	<b>8,046,615</b>	<b>382,504</b>	<b>1,450,577</b>	<b>1,527,266</b>	<b>76,689</b>
<b>EXPENDITURES</b>						
Regular programs	3,156,191	3,182,704	(26,513)			
Special education	284,218	288,850	(4,632)	145,532	149,653	(4,121)
Career education programs	317,815	328,531	(10,716)			
Compensatory education programs	154,465	145,993	8,472	395,819	381,234	14,585
Other instructional programs	332,553	355,379	(22,826)			
Student support services	324,130	330,707	(6,577)	161,863	109,490	52,373
Instructional staff support services	579,564	463,964	115,600	133,543	118,370	15,173
General administration support services	210,673	204,723	5,950	18,711	18,726	(15)
School administration support services	363,139	352,829	10,310			
Central services support services	552,225	549,751	2,474			
Operation and maintenance of plant services	1,040,387	1,383,917	(343,530)	20,225		20,225
Student transportation services	285,569	312,507	(26,938)	42,543	17,801	24,742
Other support services	16,100	12,856	3,244	14,000	10,693	3,307
Food services operations				514,460	597,976	(83,516)
Community services operations				300		300
Non-programmed costs		6,521	(6,521)	25,943	19,413	6,530
Activity expenditures		108,763	(108,763)			
Debt Service:						
Principal retirement	62,244	62,250	(6)			
Interest and fiscal charges	9,906	9,900	6			
<b>TOTAL EXPENDITURES</b>	<b>7,689,179</b>	<b>8,100,145</b>	<b>(410,966)</b>	<b>1,472,939</b>	<b>1,423,356</b>	<b>49,583</b>

PRESCOTT SCHOOL DISTRICT NO. 14  
 NEVADA 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, 2015

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (25,068)	\$ (53,530)	\$ (28,462)	\$ (22,362)	\$ 103,910	\$ 126,272
OTHER FINANCING SOURCES (USES)						
Transfers in	10,491,227		(10,491,227)			
Transfers out	(10,465,283)		10,465,283			
Compensation for loss of capital assets		70,964	70,964			
Proceeds from installment contract		318,487	318,487			
TOTAL OTHER FINANCING SOURCES (USES)	25,944	389,451	363,507			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	876	335,921	335,045	(22,362)	103,910	126,272
FUND BALANCES - JULY 1	1,301,842	1,248,072	(53,770)	23,775	73,063	49,288
FUND BALANCES - JUNE 30	\$ 1,302,718	\$ 1,583,993	\$ 281,275	\$ 1,413	\$ 176,973	\$ 175,560

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

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a five member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Prescott School District (District). There are no component units.

B. Description of Funds

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

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

Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

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

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

Fiduciary Fund types include the following:

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

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

C. Measurement Focus and Basis of Accounting

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

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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 the 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 fair value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	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.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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 2014 calendar year taxes collected by June 30, 2015 and 24 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, 2015 equaled or exceeded the 24 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. Fund Balance Classifications

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

H. Budget and Budgetary Accounting

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

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

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

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

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

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

L. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 260,000	\$ 260,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	3,259,615	3,659,565
Total Deposits	\$ 3,519,615	\$ 3,919,565

The above total deposits include certificates of deposit of \$10,000 reported as investments and classified as nonparticipating contracts.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2015 were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	Major		Other Aggregate	
	General	Special Revenue		
State assistance			\$ 280,520	
Federal assistance		\$ 187,918		
Activity fund accounts	\$ 7,172			\$ 7,350
Meal sales		281		
Other	3,115			
Totals	<u>\$ 10,287</u>	<u>\$ 188,199</u>	<u>\$ 280,520</u>	<u>\$ 7,350</u>

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2015:

A. Construction Contract

Project Name	Completion Date	Contract Balance
High School Cafeteria/Multi-purpose building	September 1, 2015	\$ 891,306

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

General description of lease and leasing arrangements:

22 copiers with a term of 48 months with monthly payments of \$2,355 plus applicable taxes commencing November 1, 2013.

1. Future minimum rental payments (aggregate) at June 30, 2015: \$65,940

2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2016	\$ 28,260
2017	28,260
2018	9,420
Total	<u>\$ 65,940</u>

Rental payments for the operating lease described above were approximately \$30,944 for the year ended June 30, 2015.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**4: COMMITMENTS (Continued)**

C. 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, 2015	Maturities To June 30, 2015
11/1/12	2/1/37	1 - 2.9%	\$ 5,980,000	\$ 5,980,000	
7/1/13	2/1/37	1 - 3.3%	2,295,000	2,075,000	\$ 220,000
1/18/13	2/1/19	3%	462,250	267,760	194,490
5/22/15	5/22/23	3.25%	318,487	318,487	
Totals			<u>\$ 9,055,737</u>	<u>\$ 8,641,247</u>	<u>\$ 414,490</u>

Changes in Long-term Debt

	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
Bonds payable	\$ 8,155,000		\$ 100,000	\$ 8,055,000
Installment contracts	330,010	\$ 318,487	62,250	586,247
Totals	<u>\$ 8,485,010</u>	<u>\$ 318,487</u>	<u>\$ 162,250</u>	<u>\$ 8,641,247</u>

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2016	\$ 204,616	\$ 199,800	\$ 404,416
2017	437,694	195,673	633,367
2018	445,866	188,993	634,859
2019	448,655	181,825	630,480
2020	385,344	173,766	559,110
2021-2025	1,974,072	756,434	2,730,506
2026-2030	1,910,000	547,792	2,457,792
2031-2035	1,960,000	302,522	2,262,522
2036-2037	875,000	39,180	914,180
Totals	<u>\$ 8,641,247</u>	<u>\$ 2,585,985</u>	<u>\$ 11,227,232</u>

Security for Debt Payments

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

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2015 were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	\$ 68,646	\$ 6,317	\$ 534,508	\$ 732
Salaries payable	360,259	56,618		
Payroll withholdings and matching	226,803	18,078		
Totals	<u>\$ 655,708</u>	<u>\$ 81,013</u>	<u>\$ 534,508</u>	<u>\$ 732</u>

**6: INTERFUND TRANSFERS**

The District transferred excess property taxes of \$347,062 from the debt service fund to the capital projects fund for debt refunding savings of \$245,503 required to be utilized for capital expenditures and for future capital expenditures of \$101,559. This transfer is not reflected in the financial statements since both funds are included in the other aggregate funds.

**7: RETIREMENT PLAN**

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 or by calling 1-800-666-2877.

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, 2015 were \$699,999, 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, 2014 (actuarial valuation date and measurement date) was \$4,563,005.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS**

The T.M. and Irene Honea Scholarship Fund was established in 1982 and scholarships are awarded based on scholastic achievement and need. The nonspendable portion of \$10,000 is maintained in a certificate of deposit classified as a non-participating contract.

ADDITIONS	
Interest	\$ 79
	11,734
FUND BALANCE - JULY 1	
	11,813
FUND BALANCE - JUNE 30	\$ 11,813

**9: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$8,275,000 issued from November 1, 2012 through July 1, 2013. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$10,575,313 payable through February 1, 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$282,416 and \$539,559, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 52.34 percent.

**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 District carries commercial insurance for board liability and accidental death and dismemberment.

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

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

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 \$250,000 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.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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 \$184,625 for the year ended June 30, 2015.

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 76		
Educational programs - national school lunch state categorical funding	41,079		
English-language learners	9,848		
Professional development	9,501		
Capital projects			\$ 400,188
Child nutrition programs		\$ 59,168	
Medical services		55,221	
Special education programs	3,663		
Other purposes	19,996	62,584	
Total Restricted	<u>84,163</u>	<u>176,973</u>	<u>400,188</u>
Assigned to:			
Capital projects			516,161
Student activities	51,146		
Total Assigned	<u>51,146</u>		<u>516,161</u>
Unassigned	<u>1,448,684</u>		
Totals	<u>\$1,583,993</u>	<u>\$ 176,973</u>	<u>\$ 916,349</u>

**13: COMPENSATION FOR LOSS OF CAPITAL ASSETS**

During the fiscal year, the District received additional insurance proceeds of \$70,964 for hail damage sustained to its buildings on February 18, 2013.

PRESCOTT SCHOOL DISTRICT NO. 14  
 NEVADA COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (Unaudited)

Schedule 1

	Balance <u>June 30, 2015</u>
<i>Nondepreciable capital assets:</i>	
Land	\$ 100,658
Construction in progress	5,362,263
Total nondepreciable capital assets	<u>5,462,921</u>
 <i>Depreciable capital assets:</i>	
Buildings	7,944,175
Improvements/infrastructure	1,033,008
Equipment	3,797,580
Total depreciable capital assets	<u>12,774,763</u>
 Less accumulated depreciation for:	
Buildings	3,705,838
Improvements/infrastructure	629,992
Equipment	2,765,469
Total accumulated depreciation	<u>7,101,299</u>
 Total depreciable capital assets, net	 <u>5,673,464</u>
 Capital assets, net	 <u><u>\$ 11,136,385</u></u>

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	50-06-000	\$ 137,556
National School Lunch Program - Cash Assistance	10.555	50-06-000	340,817
Total State Department of Education			478,373
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	5006000	49,336
TOTAL CHILD NUTRITION CLUSTER			527,709
<b>OTHER PROGRAMS</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	50-06	375,037
Special Education - Grants to States	84.027	50-06	232,228
Twenty-First Century Community Learning Centers	84.287	50-06	120,841
Improving Teacher Quality State Grants	84.367	50-06	51,506
Total U. S. Department of Education			779,612
TOTAL OTHER PROGRAMS			779,612
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,307,321

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 Prescott School District No. 14 (District) under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 4: During the year ended June 30, 2015, the District received Medicaid funding of \$37,254 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 3

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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FEDERAL AWARDS

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:                    \$ 300,000

Auditee qualified as low-risk auditee?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDING**

**MATERIAL WEAKNESS**

2015-001. 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 misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting. Specifically, certain key weaknesses included the following: the same employee was responsible for the preparation, posting, execution of electronic check signature, and mailing of accounts payable checks, without compensating controls. Also, bank reconciliations were prepared by the use of copied bank statements which were forwarded to the preparer from the individual that receipts and deposits monies.

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

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

Cause: District management, due to cost/benefit implications, which hindered the District's ability to hire sufficient personnel, 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: We concur with the recommendation and will implement corrective procedures to the extent possible. We will continue to explore ways to improve internal controls.

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

No matters were reported.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

U. S. DEPARTMENT OF AGRICULTURE  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
CHILD NUTRITION CLUSTER (CASH ASSISTANCE PROGRAMS)

2014 - Finding 2014-002: Child Nutrition Cluster (Cash Assistance Programs) - CFDA Numbers 10.553 and 10.555

Condition: Procurement documentation was not properly maintained for a food services consulting contract of \$127,200 as required by Arkansas law. A similar finding was reported in the previous audit.

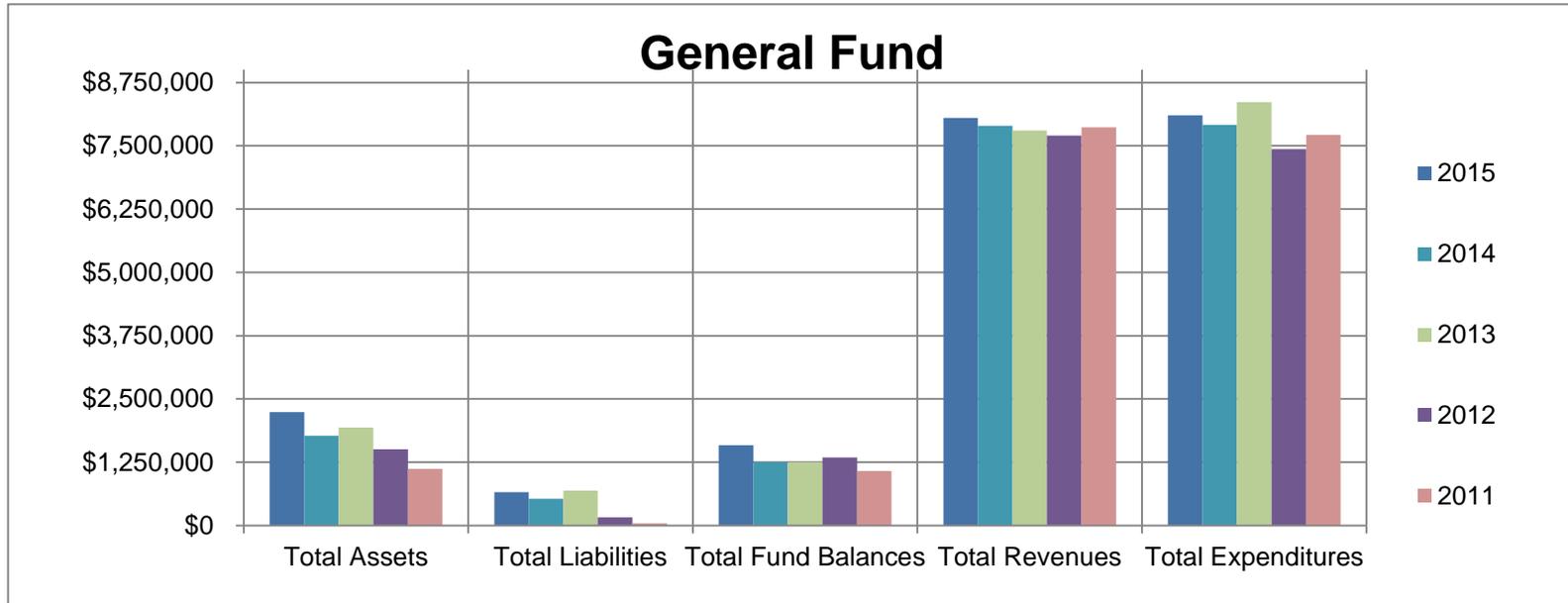
Recommendation: The District should implement procedures to ensure compliance with all applicable procurement regulations. The District should also contact the Arkansas Department of Education for further guidance regarding this matter.

Current Status: Corrective action was taken.

PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS

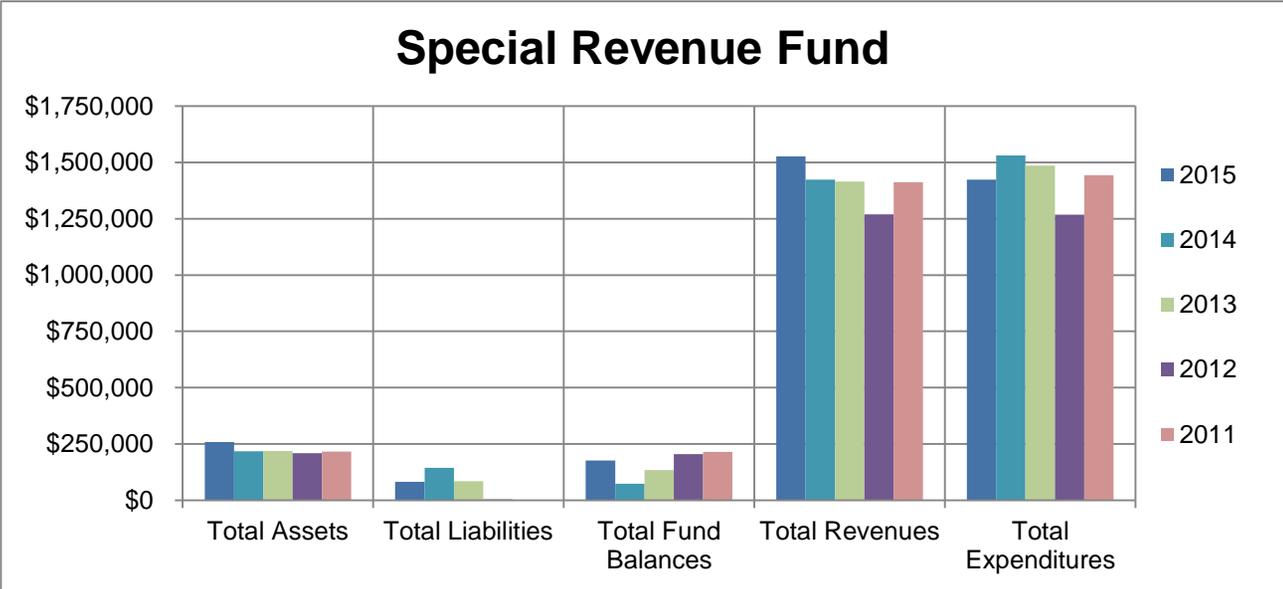
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015  
(Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets	\$ 2,239,701	\$ 1,773,514	\$ 1,937,728	\$ 1,504,328	\$ 1,118,781
Total Liabilities	655,708	525,442	690,343	157,710	41,659
Total Fund Balances	1,583,993	1,248,072	1,247,385	1,346,618	1,077,122
Total Revenues	8,046,615	7,894,731	7,797,575	7,702,294	7,865,293
Total Expenditures	8,100,145	7,911,196	8,359,058	7,432,798	7,715,946
Total Other Financing Sources (Uses)	389,451	17,152	462,250		(385,437)



PRESCOTT SCHOOL DISTRICT NO. 14  
 NEVADA COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets	\$ 257,986	\$ 217,549	\$ 218,941	\$ 208,225	\$ 216,530
Total Liabilities	81,013	144,486	84,499	3,602	1,336
Total Fund Balances	176,973	73,063	134,442	204,623	215,194
Total Revenues	1,527,266	1,423,359	1,415,595	1,268,811	1,412,521
Total Expenditures	1,423,356	1,530,849	1,485,776	1,267,840	1,443,053
Total Other Financing Sources (Uses)		46,111		(11,542)	



PRESCOTT SCHOOL DISTRICT NO. 14  
NEVADA COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015  
(Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets	\$ 1,450,857	\$ 2,999,012	\$ 780,778	\$ 325,156	\$ 244,552
Total Liabilities	534,508		1,950		2,106
Total Fund Balances	916,349	2,999,012	778,828	325,156	242,446
Total Revenues	3,285,172	914,436	768,539	576,361	747,354
Total Expenditures	5,367,835	921,508	317,637	493,651	1,320,584
Total Other Financing Sources (Uses)		2,227,256	2,770		385,437

