

Pulaski County Special School District

Pulaski County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2018



PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
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Arkansas



Sen. Jason Rapert
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Pulaski County Special School District 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 Pulaski County Special School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2018, or the changes in financial position for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
March 7, 2019
EDSD32318

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Pulaski County Special School District 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 Pulaski County Special School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 7, 2019. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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.

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

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be a significant deficiency.

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 findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 7, 2019

Arkansas



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Senate Chair
Sen. Eddie Cheatham
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Pulaski County Special School District and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Pulaski County Special School District (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

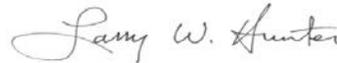
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 7, 2019

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2018

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 20,807,738		\$ 21,529,125	\$ 250,585
Investments			56,183,904	
Accounts receivable	37,761	\$ 2,370,611	146,411	
Due from other funds	1,346,253			
TOTAL ASSETS	\$ 22,191,752	\$ 2,370,611	\$ 77,859,440	\$ 250,585
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,412,868	\$ 91,561	\$ 11,209,645	
Due student groups				\$ 250,585
Due to other funds		1,346,253		
Deferred revenues		37,860		
Total Liabilities	1,412,868	1,475,674	11,209,645	250,585
Fund Balances:				
Restricted	2,118,329	1,025,528	58,387,626	
Assigned	1,579,389		8,262,169	
Unassigned	17,081,166	(130,591)		
Total Fund Balances	20,778,884	894,937	66,649,795	
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,191,752	\$ 2,370,611	\$ 77,859,440	\$ 250,585

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 92,472,930		\$ 12,426,831
State assistance	51,378,891	\$ 34,754	
Federal assistance	27,647	16,214,982	
Activity revenues	1,298,436		
Meal sales		981,755	
Investment income	125,485	31	417,126
Other revenues	1,820,313	28,137	669,679
TOTAL REVENUES	147,123,702	17,259,659	13,513,636
EXPENDITURES			
Regular programs	45,895,819	2,724,294	
Special education	10,709,675	1,704,476	
Career education programs	3,880,052	63,161	
Adult/continuing education program	990,262	239,177	
Compensatory education programs	1,680,874	901,053	
Other instructional programs	5,980,994	111,824	1,095,186
Student support services	7,016,634	1,250,264	
Instructional staff support services	5,800,111	4,040,486	393,115
General administration support services	1,509,889	22,026	
School administration support services	9,466,453		715
Central services support services	5,760,138		807,413
Operation and maintenance of plant services	14,668,152	132	481,185
Student transportation services	9,309,612	7,850	
Other support services	86,730		294,681
Food services operations	22,145	6,189,153	
Community services operations	510,211	86,738	
Facilities acquisition and construction services	296,412		53,759,004
Non-programmed costs	789	346,611	2,462
Activity expenditures	1,342,554		
Debt Service:			
Principal retirement			3,535,000
Interest and fiscal charges			6,574,661
Net debt issuance costs			566,760
TOTAL EXPENDITURES	124,927,506	17,687,245	67,510,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,196,196	(427,586)	(53,996,546)
OTHER FINANCING SOURCES (USES)			
Transfers in		914,544	15,395,330
Transfers out	(16,309,874)		
Proceeds from refunding bond issue			22,295,000
Proceeds from construction bond issue			66,490,000
Payment to refunding bond escrow agent			(21,938,459)
Transitional cost	(5,416,346)		
Refund to grantor		(686)	
TOTAL OTHER FINANCING SOURCES (USES)	(21,726,220)	913,858	82,241,871

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	Major		
	General	Special Revenue	Other Aggregate
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 469,976	\$ 486,272	\$ 28,245,325
FUND BALANCES - JULY 1	20,308,908	408,665	38,404,470
FUND BALANCES - JUNE 30	\$ 20,778,884	\$ 894,937	\$ 66,649,795

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 92,814,364	\$ 92,472,930	\$ (341,434)			
State assistance	50,488,741	51,378,891	890,150	\$ 48,000	\$ 34,754	\$ (13,246)
Federal assistance	100,000	27,647	(72,353)	13,731,783	16,214,982	2,483,199
Activity revenues		1,298,436	1,298,436			
Meal sales				1,161,000	981,755	(179,245)
Investment income	58,775	125,485	66,710	43	31	(12)
Other revenues	1,282,768	1,820,313	537,545		28,137	28,137
TOTAL REVENUES	144,744,648	147,123,702	2,379,054	14,940,826	17,259,659	2,318,833
EXPENDITURES						
Regular programs	48,431,571	45,895,819	2,535,752	437,523	2,724,294	(2,286,771)
Special education	8,945,714	10,709,675	(1,763,961)	1,508,744	1,704,476	(195,732)
Career education programs	4,064,678	3,880,052	184,626	156,794	63,161	93,633
Adult/continuing education program	983,245	990,262	(7,017)	139,961	239,177	(99,216)
Compensatory education programs	2,054,348	1,680,874	373,474	843,742	901,053	(57,311)
Other instructional programs	5,188,445	5,980,994	(792,549)	178,677	111,824	66,853
Student support services	7,220,813	7,016,634	204,179	1,410,294	1,250,264	160,030
Instructional staff support services	6,795,559	5,800,111	995,448	4,029,959	4,040,486	(10,527)
General administration support services	1,263,465	1,509,889	(246,424)	119,258	22,026	97,232
School administration support services	9,516,400	9,466,453	49,947			
Central services support services	6,318,149	5,760,138	558,011			
Operation and maintenance of plant services	15,378,237	14,668,152	710,085		132	(132)
Student transportation services	8,635,335	9,309,612	(674,277)	7,000	7,850	(850)
Other support services	180,507	86,730	93,777			
Food services operations		22,145	(22,145)	6,299,661	6,189,153	110,508
Community services operations	898,961	510,211	388,750	149,237	86,738	62,499
Facilities acquisition and construction services	15,417,893	296,412	15,121,481			
Non-programmed costs		789	(789)	212,344	346,611	(134,267)
Activity expenditures		1,342,554	(1,342,554)			
Debt Service:						
Principal retirement	91,314		91,314			
Interest and fiscal charges	25,035		25,035			
TOTAL EXPENDITURES	141,409,669	124,927,506	16,482,163	15,493,194	17,687,245	(2,194,051)

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 3,334,979	\$ 22,196,196	\$ 18,861,217	\$ (552,368)	\$ (427,586)	\$ 124,782
OTHER FINANCING SOURCES (USES)						
Transfers in	165,164,595		(165,164,595)	593,021	914,544	321,523
Transfers out	(165,556,529)	(16,309,874)	149,246,655			
Transitional cost	(5,419,716)	(5,416,346)	3,370			
Refund to grantor					(686)	
TOTAL OTHER FINANCING SOURCES (USES)	(5,811,650)	(21,726,220)	(15,914,570)	593,021	913,858	321,523
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,476,671)	469,976	2,946,647	40,653	486,272	446,305
FUND BALANCES - JULY 1	20,656,684	20,308,908	(347,776)	574,892	408,665	(166,227)
FUND BALANCES - JUNE 30	\$ 18,180,013	\$ 20,778,884	\$ 2,598,871	\$ 615,545	\$ 894,937	\$ 280,078

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

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

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

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

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

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

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

Fiduciary Fund types include the following:

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

C. Measurement Focus and Basis of Accounting

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$5,000 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.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

F. Property Taxes (Continued)

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2017 calendar year taxes collected by June 30, 2018 and 12 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2018 equaled or exceeded the 12 percent calculation.

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

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

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

I. Budget and Budgetary Accounting

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

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

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Stabilization Arrangements

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

K. Minimum Fund Balance Policies

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

L. Fund Balance Classification Policies and Procedures

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

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

M. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 22,920,631	\$ 22,935,003
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>19,666,817</u>	<u>24,399,177</u>
Total Deposits	<u>\$ 42,587,448</u>	<u>\$ 47,334,180</u>

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

3. INVESTMENTS

At June 30, 2018 the District's investments consisted of \$52,036,002 invested in Government bonds and \$4,147,902 invested in a money market account.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer and the bonds, in which the District was invested, were rated as follows:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Amount</u>
<u>Government Bonds</u>			
U.S. Treasury Notes	AAA (Moody's)	6/30/18	\$ 2,920,000
U.S. Treasury Notes	AAA (Moody's)	7/15/18	3,148,929
U.S. Treasury Notes	AAA (Moody's)	7/31/18	949,658
U.S. Treasury Notes	AAA (Moody's)	8/31/18	3,597,552
U.S. Treasury Notes	AAA (Moody's)	9/15/18	9,935,886
U.S. Treasury Notes	AAA (Moody's)	10/31/18	4,182,738
U.S. Treasury Notes	AAA (Moody's)	11/30/18	4,187,526
Federal National Mortgage Association Notes	AA+ (S & P)	12/14/18	4,081,386
Federal National Mortgage Association Notes	AA+ (S & P)	1/28/19	3,482,675
Federal National Mortgage Association Notes	AA+ (S & P)	2/26/19	2,876,365
Federal Home Loan Bank Bonds	AA+ (S & P)	3/18/19	2,881,382
Federal Home Loan Mortgage Corporation Notes	AAA (Moody's)	4/15/19	2,476,900
Federal Home Loan Bank Bonds	AA+ (S & P)	5/28/19	2,279,576
Federal National Mortgage Association Notes	AA+ (S & P)	6/20/19	1,788,948
Federal Home Loan Mortgage Corporation Notes	AAA (Moody's)	7/19/19	1,673,089
Federal National Mortgage Association Notes	AA+ (S & P)	8/2/19	1,573,392
Total Investments - Government Bonds			\$ 52,036,002

Interest rate risk – The District does not have a formal policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair value of investments - Fair value measurements are based on the fair value hierarchy as follows:

- Level 1 - Quoted prices in active markets for identical assets
- Level 2 - Significant other observable inputs
- Level 3 - Significant unobservable inputs

Of the above total investments, \$56,183,904, comprised of Government Bonds are classified in Level 1. There are no investments classified in Level 2 or 3.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

4: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ 2,416		
Federal assistance		\$ 2,361,160	
Meal sales	21,696	9,451	
Other	13,649		\$ 146,411
Totals	\$ 37,761	\$ 2,370,611	\$ 146,411

5: COMMITMENTS

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

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Mills High School building	November 2018	\$ 12,896,112
Robinson Middle School building	August 2018	6,182,274
Sylvan Hills High School building	May 2020	25,409,962

B. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities To June 30, 2018
10/1/10	2/1/19	1 - 2.5%	\$ 1,700,000	\$ 215,000	\$ 1,485,000
11/1/12	2/1/35	2 - 3.375%	3,755,000	3,270,000	485,000
9/1/15	2/1/35	3 - 3.5%	69,705,000	67,460,000	2,245,000
10/15/15	2/1/35	3 - 3.5%	55,975,000	51,405,000	4,570,000
3/15/16	2/1/32	2 - 3%	29,080,000	28,405,000	675,000
8/1/17	2/1/35	3 - 3.25%	22,295,000	22,295,000	
8/23/17	2/1/48	3 - 4%	66,490,000	66,490,000	
Totals			\$ 249,000,000	\$ 239,540,000	\$ 9,460,000

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

5: COMMITMENTS (Continued)

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

Changes in Long-term Debt

	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
Bond payable	\$176,150,000	\$ 88,785,000	\$ 25,395,000 *	\$239,540,000

* Includes \$21,860,000 early retirement of debt – See Note 7.

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2019	\$ 6,990,000	\$ 7,796,525	\$ 14,786,525
2020	8,670,000	7,606,600	16,276,600
2021	8,910,000	7,364,775	16,274,775
2022	9,155,000	7,116,075	16,271,075
2023	9,435,000	6,842,225	16,277,225
2024-2028	51,690,000	29,799,344	81,489,344
2029-2033	59,990,000	21,339,800	81,329,800
2034-2038	37,240,000	11,984,443	49,224,443
2039-2043	26,320,000	7,742,775	34,062,775
2044-2048	21,140,000	3,191,800	24,331,800
Totals	\$ 239,540,000	\$ 110,784,362	\$ 350,324,362

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.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 1,312,582	\$ 91,561	\$ 11,209,645
Payroll withholdings and matching	100,286		
Totals	<u>\$ 1,412,868</u>	<u>\$ 91,561</u>	<u>\$ 11,209,645</u>

7: DEBT REFUNDING

On August 1, 2017, the District issued refunding bonds of \$22,295,000 with interest rates of 3 to 3.25 percent to refund \$21,860,000 of outstanding bonds dated April 1, 2012. The interest rates of the bonds refunded were 3 to 4 percent. Net bond proceeds of \$21,938,459 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on August 31, 2017. The remaining proceeds of \$1,106 (after payment of \$355,435 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$810,400 to the District over the life of the bonds.

8: INTERFUND TRANSFERS

The District transferred \$15,395,330 from the general fund to the other aggregate funds to supplement future capital projects. Additionally, \$914,544 was transferred from the general fund to the special revenue fund to supplement the District's food services operations.

9: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2018 were \$12,416,263, equal to the required contributions.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

9: RETIREMENT PLANS (Continued)

Arkansas Teacher Retirement System (Continued)

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$126,562,506.

Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2018 were \$12,809, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$84,871.

10: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$130,591 in the special revenue fund, as displayed in the table at Note 14 below, is the result of journal entries to eliminate child nutrition program inventories from the balance sheet for regulatory basis reporting purposes.

11: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$249,000,000 issued from October 1, 2010 to August 23, 2017. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$350,324,362, payable through February 1, 2048. Principal and interest paid for the current year and total property taxes pledged for debt service were \$10,103,376 and \$38,145,368, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 26.49 percent.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

12: RISK MANAGEMENT

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

The Districts carries commercial insurance for student athletics, buildings, contents, vehicles, and legal liability.

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.

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

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

13: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$2,509,989 for the year ended June 30, 2018.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Educational programs -			
national school lunch state			
categorical funding	\$ 522,461		
English-language learners	19,875		
Professional development	4,766		
Secondary workforce center	241,222		
Impact aid	192,417		
Arkansas school recognition program	111,755		
Arkansas Better Chance program	582,945		
STEM-Project lead way	58,870		
ROTC		\$ 85,927	
High quality preschool program		817,923	
Capital projects			\$ 58,370,512
Debt service			17,114
Medical services		117,990	
Special education programs	213,846		
Other purposes	170,172	3,688	
Total Restricted	<u>2,118,329</u>	<u>1,025,528</u>	<u>58,387,626</u>
Assigned to:			
Capital projects			8,262,169
Federal indirect costs	917,348		
Student activities	639,267		
Other purposes	22,774		
Total Assigned	<u>1,579,389</u>		<u>8,262,169</u>
Unassigned	<u>17,081,166</u>	<u>(130,591)</u>	
Totals	<u>\$ 20,778,884</u>	<u>\$ 894,937</u>	<u>\$ 66,649,795</u>

15: SUBSEQUENT EVENT

On January 30, 2019, the District issued construction bonds of \$20,475,000 with interest rates of 3.5 to 3.75 percent.

16: TRANSITIONAL COST

As a result of Jacksonville/North Pulaski School District's (JNPSD) detachment from Pulaski County Special School District (PCSSD), PCSSD paid funds totaling \$5,409,170, or 26% of state desegregation revenue of \$20,804,500. The District also paid \$7,176, or 23.5% of the gifted & talented - advancement placement balance of \$30,537. These payments are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis (Exhibit B) as transitional cost of \$5,416,346 in the general fund.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

Schedule 1

	Balance June 30, 2018
<i>Nondepreciable capital assets:</i>	
Land	\$ 8,565,644
Construction in progress	81,462,424
Total nondepreciable capital assets	90,028,068
 <i>Depreciable capital assets:</i>	
Buildings	166,080,287
Improvements/infrastructure	54,882,913
Equipment	26,192,194
Total depreciable capital assets	247,155,394
 Less accumulated depreciation for:	
Buildings	44,697,469
Improvements/infrastructure	14,625,686
Equipment	13,986,923
Total accumulated depreciation	73,310,078
 Total depreciable capital assets, net	173,845,316
 Capital assets, net	\$ 263,873,384

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	6003		\$ 1,019,041
National School Lunch Program (Note 3)	10.555			64,995
Arkansas Department of Education - National School Lunch Program	10.555	6003		2,733,524
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	6003000		361,718
Total for National School Lunch Program				3,160,237
Total U. S. Department of Agriculture				4,179,278
TOTAL CHILD NUTRITION CLUSTER				4,179,278
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	6003		2,739,409
Arkansas Department of Education - Special Education - Preschool Grants	84.173	6003		112,577
Total U. S. Department of Education				2,851,986
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				2,851,986
TANF CLUSTER				
<u>U. S. Department of Health and Human Services:</u>				
Arkansas Department of Education - Temporary Assistance for Needy Families	93.558	6003		1,750,000
TOTAL TANF CLUSTER				1,750,000
OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
ROTC (Note 5)	12.AR060081			83,495
Total U. S. Department of Defense				83,495
<u>National Endowment for the Arts</u>				
Department of Arkansas Heritage-Arkansas Arts Council - Promotion of the Arts - Partnership Agreements	45.025	6003		2,000
Total National Endowment for the Arts				2,000
<u>U. S. Department of Education</u>				
Arkansas Department of Career Education - Adult Education - Basic Grants to States	84.002	6003		239,177
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	6003		4,366,286
Impact Aid	84.041			27,647
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048	6003		83,636
Arkansas Department of Education - Education for Homeless Children and Youth	84.196	6003		49,012
Arkansas Department of Education - English Language Acquisition State Grants	84.365	6003		30,842
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	6003		433,977
Arkansas Department of Human Services - Preschool Development Grants	84.419	6003		925,646
Total U. S. Department of Education				6,156,223
TOTAL OTHER PROGRAMS				6,241,718
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 15,022,982

The accompanying notes are an integral part of this schedule.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Pulaski County Special School District (District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 6: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 7: During the year ended June 30, 2018, the District received Medicaid funding of \$253,412 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
93.558	TANF Cluster
84.419	Preschool Development Grants
84.002	Adult Education - Basic Grants to States

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

\$ 750,000

Auditee qualified as low-risk auditee? yes no

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2018-001. Misstatements not Detected by Internal Control System

Criteria: Financial accounting records should be accurate to ensure the preparation of financial statements that are fairly presented in conformity with the regulatory basis of accounting.

Condition: The District's internal control system did not prevent or detect material errors in the financial records. Such records are utilized in the preparation of the District's financial statements. Special revenue fund federal assistance and the related expenditures of \$1,750,000 were recorded in the general fund in error. The financial statements were subsequently corrected by adjusting entries during audit fieldwork.

Cause: The District was unaware that a portion of the funds received through the Arkansas Better Chance program included federal funds.

Effect or potential effect: Misstatement was not detected by the District's internal control system.

Recommendation: To achieve accurate financial accounting records, District management should implement procedures to ensure all financial activity is properly recorded.

Views of responsible officials: Management agrees with this finding. Communication has gone out to notify all key staff of the error made in the coding of this revenue. Files have been updated to include the correct coding information in order to ensure that, going forward, the correct revenue fund is used.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 3

SIGNIFICANT DEFICIENCY

2018-002. Internal Control

Criteria: An effective internal control system is the responsibility of management and requires sound accounting policies and proper oversight that will, among other things, help to ensure the proper initiating, authorization, recording, processing, and reporting of transactions consistent with management's assertions embodied in the financial statements.

Condition: Financial accounting duties pertaining to activity funds were not adequately segregated among employees at the offices at the individual campuses located throughout the District to properly receipt, record, and safeguard assets of the District. Specifically, the key weakness at the level of the individual campuses is that one employee is responsible for maintaining the accounting records, without adequate compensating controls.

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

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

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

Views of responsible officials: District management concurs with this recommendation. The internal control presently in place is: teachers, sponsors, and other staff receive and receipts monies. They complete a Cash Count Sheet and the monies are turned in to the School Bookkeeper. The Bookkeeper verifies and receipts the monies in the presence of the person turning it in. Cash Count Sheets are signed and dated confirming the amount turned in. The Bookkeeper deposits the monies in the bank daily. Management will continue to monitor the segregation of financial accounting duties through monthly activity fund bank reconciliations and internal audits.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 3

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY

U. S. DEPARTMENT OF EDUCATION
PASSED THROUGH ARKANSAS DEPARTMENT OF HUMAN SERVICES
PRESCHOOL DEVELOPMENT GRANTS - CFDA 84.419
PASS-THROUGH NUMBER 6003
AUDIT PERIOD - YEAR ENDED JUNE 30, 2018

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES - CFDA 93.558
PASS-THROUGH NUMBER 6003
AUDIT PERIOD - YEAR ENDED JUNE 30, 2018

2018-003. Allowable Costs/Cost Principles

Criteria or specific requirement: Title 2 U.S. *Code of Federal Regulations* (CFR) 200.430 (i)(1)(vii) requires that the distribution of an employee's salary or wages be supported when the employee works on more than one Federal award or a Federal award and a non-federal activity. Such records may include personnel activity reports, including prescribed certifications, or equivalent documentation.

Condition: Although standard payroll documentation supporting the employees' work in the Preschool Development Grants and Temporary Assistance for Needy Families programs were available for audit inspection, personnel activity reports/certifications were not prepared for 5 of 5 applicable employees tested in the Preschool Development Grants program and 6 of 7 applicable employees tested in the Temporary Assistance for Needy Families program.

Cause: The District did not properly monitor the time-and-effort distribution records completion or maintenance procedures to ensure proper documentation was completed and maintained for all time charged to the Preschool Development Grants program and Temporary Assistance for Needy Families program.

Effect or potential effect: The District was unable to provide required documentation substantiating all time charged to the Preschool Development Grants and Temporary Assistance for Needy Families programs.

Context: Examination of documentation substantiating time worked by applicable employees in the Preschool Development Grants and Temporary Assistance for Needy Families programs.

Identification as a repeat finding: For the Preschool Development Grants program, this is a repeat of Finding 2017-003 in the previous audit.

Recommendation: District should complete and maintain time-and-effort distribution records on applicable employees.

Views of responsible officials: Management agrees with this finding. PDG funding was awarded to the District to fund the preschool program; however, employees were incorrectly coded to the ABC program grant and in essence incorrectly paid from ABC program funding. Effective immediately, the Pre-K Director/Coordinator will periodically review the payroll coding in conjunction with the Budget Manager to verify that employees are paid correctly. If the employee works 100% of the time in one (1) program, their time and effort certifications will be reviewed every six (6) months. If the employee is working in two (2) separate programs, the time and effort certifications will be reviewed on a monthly basis. Periodic time and effort certifications will be prepared in agreement with policy.



PULASKI COUNTY SPECIAL SCHOOL DISTRICT

925 East Dixon Road/P.O. Box 8601
 Little Rock, Arkansas 72216
 www.pcassd.org
 (501) 234-2000

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

2017 – Finding 2017-001: Internal Control
 2016 – Finding 2016-001: Internal Control

Condition: Financial accounting duties pertaining to activity funds were not adequately segregated among employees at the offices at the individual campuses located throughout the District to properly receipt, record, and safeguard assets of the District. Specifically, the key weakness at the level of the individual campuses is that one employee is responsible for maintaining the accounting records, without adequate compensating controls.

Current Status: Lack of segregation of financial accounting duties pertaining to the activity funds continued during the audit period. See Finding 2018-001 at Schedule 3.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION
 PASSED THROUGH ARKANSAS DEPARTMENT OF HUMAN SERVICES
 PRESCHOOL DEVELOPMENT GRANTS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
 PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

2017 – Finding 2017-002: Preschool Development Grants CFDA Number - 84.419 and Temporary Assistance for Needy Families – CFDA Number 93.558

Condition: The District did not retain, for audit inspection, 10 of the 25 applications and the related verification documentation that was submitted by household applicants regarding eligibility status for the Temporary Assistance for Needy Families (TANF) and Preschool Development Grants (PDG) programs.

Current Status: No reportable exceptions noted during testing of 2018 applications.

U.S. DEPARTMENT OF EDUCATION
 PASSED THROUGH ARKANSAS DEPARTMENT OF HUMAN SERVICES
 PRESCHOOL DEVELOPMENT GRANTS

2017 – Finding 2017-003: Preschool Development Grants – CFDA Number 84.419

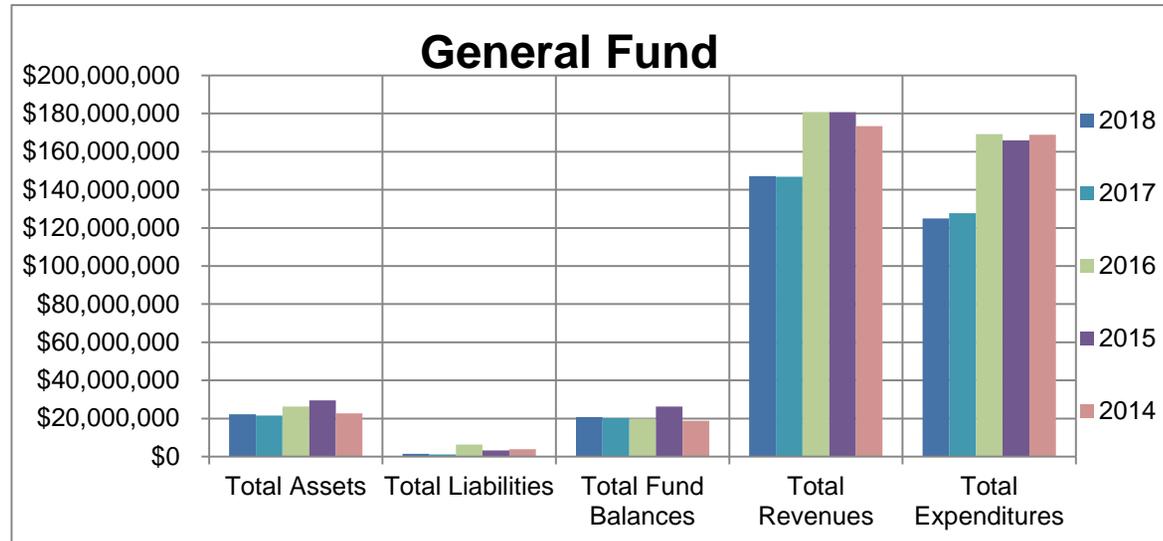
Condition: Although standard payroll documentation supporting the employees' work in the Preschool Development Grants program was available for audit inspection, personnel activity reports/certification were not prepared for 2 of 2 applicable employees tested.

Current Status: Periodic time certifications again were not prepared for PDG employees. See Finding 2018-003 at Schedule 3.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS

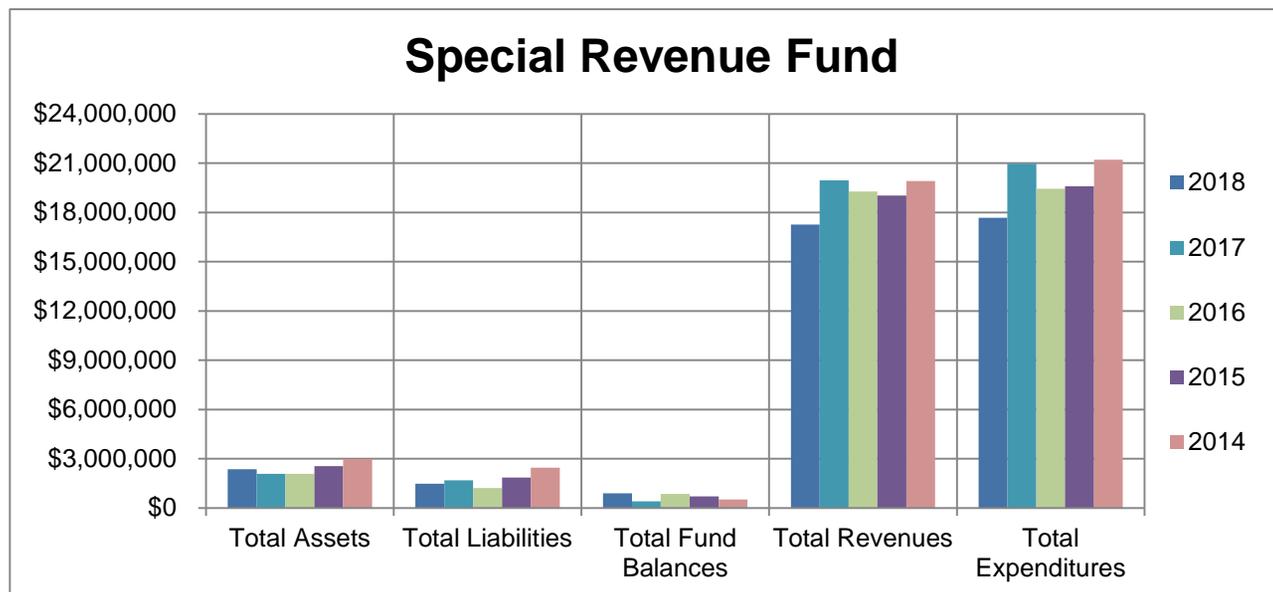
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 22,191,752	\$ 21,474,907	\$ 26,232,005	\$ 29,542,798	\$ 22,707,070
Total Liabilities	1,412,868	1,165,999	6,269,129	3,237,800	3,965,424
Total Fund Balances	20,778,884	20,308,908	19,962,876	26,304,998	18,741,646
Total Revenues	147,123,702	146,897,507	180,781,778	180,764,676	173,419,703
Total Expenditures	124,927,506	127,758,667	169,169,130	166,022,425	168,901,828
Total Other Financing Sources (Uses)	(21,726,220)	(18,792,808)	(11,386,991)	(7,178,899)	(4,186,278)



PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 2,370,611	\$ 2,092,389	\$ 2,090,873	\$ 2,558,136	\$ 2,980,126
Total Liabilities	1,475,674	1,683,724	1,221,127	1,854,202	2,453,284
Total Fund Balances	894,937	408,665	869,746	703,934	526,842
Total Revenues	17,259,659	19,958,143	19,282,118	19,028,903	19,920,536
Total Expenditures	17,687,245	20,974,328	19,439,761	19,594,200	21,207,618
Total Other Financing Sources (Uses)	913,858	555,104	323,455	744,614	1,053,245



PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 77,859,440	\$ 49,965,486	\$ 73,094,129	\$ 8,499,044	\$ 10,664,947
Total Liabilities	11,209,645	11,561,016	2,742,059	1,134,268	1,656,550
Total Fund Balances	66,649,795	38,404,470	70,352,070	7,364,776	9,008,397
Total Revenues	13,513,636	12,142,326	11,850,528	12,160,804	11,953,221
Total Expenditures	67,510,182	51,179,865	22,522,822	20,498,709	19,705,620
Total Other Financing Sources (Uses)	82,241,871	7,089,939	67,091,809	6,694,284	3,384,223

