

Cossatot River School District

Polk County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE



COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
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JUNE 30, 2015

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Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Cossatot River 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 Cossatot River School District (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
EDSD43415

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 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

Cossatot River 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 Cossatot River School District (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*.

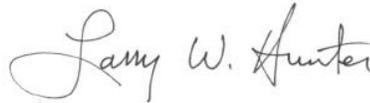
District's Response to Findings

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



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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Cossatot River School District and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Cossatot River School District (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

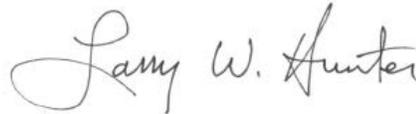
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2015

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 5,633,959	\$ 84,965	\$ 2,060,241	\$ 33,036
Investments	137,323			
Accounts receivable	2,949	244,414	86,119	
Due from other funds		1,481		
Deposit with paying agent			753,684	
TOTAL ASSETS	\$ 5,774,231	\$ 330,860	\$ 2,900,044	\$ 33,036
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 69,490	\$ 31,623		\$ 724
Due student groups				27,595
Due to other funds	1,481			
Total Liabilities	70,971	31,623		28,319
Fund Balances:				
Restricted	507,363	299,237	\$ 1,208,806	4,717
Assigned	50,134		1,691,238	
Unassigned	5,145,763			
Total Fund Balances	5,703,260	299,237	2,900,044	4,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,774,231	\$ 330,860	\$ 2,900,044	\$ 33,036

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

COSSATOT RIVER SCHOOL DISTRICT
POLK 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)	\$ 2,626,947		
State assistance	7,624,457	\$ 5,493	
Federal assistance	85,194	1,584,584	\$ 172,238
Activity revenues	186,592		
Meal sales		273,936	
Investment income	24,478	742	2,793
Other revenues	113,533		
TOTAL REVENUES	10,661,201	1,864,755	175,031
EXPENDITURES			
Regular programs	3,634,745	75,455	
Special education	374,062	94,886	
Career education programs	433,016		
Compensatory education programs	3,087	280,721	
Other instructional programs	441,834	22,287	
Student support services	386,626	190,046	
Instructional staff support services	614,339	258,608	
General administration support services	249,249	25,036	
School administration support services	464,126		
Central services support services	275,169		
Operation and maintenance of plant services	1,090,431		1,530
Student transportation services	700,750	2,938	
Other support services	10,453		
Food services operations	180,342	978,507	
Non-programmed costs	6,521	10,350	
Activity expenditures	186,818		
Debt Service:			
Principal retirement	31,959		215,000
Interest and fiscal charges	4,826		322,236
TOTAL EXPENDITURES	9,088,353	1,938,834	538,766
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,572,848	(74,079)	(363,735)
OTHER FINANCING SOURCES (USES)			
Transfers in		690	1,533,846
Transfers out	(1,534,536)		
Proceeds from refunding bond issue			2,400,000
Payment to refunding bond escrow agent			(2,346,808)
Net bond issuance costs			(52,209)
Refund to grantor		(45,000)	
TOTAL OTHER FINANCING SOURCES (USES)	(1,534,536)	(44,310)	1,534,829
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	38,312	(118,389)	1,171,094
FUND BALANCES - JULY 1	5,664,948	417,626	1,728,950
FUND BALANCES - JUNE 30	\$ 5,703,260	\$ 299,237	\$ 2,900,044

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

COSSATOT RIVER SCHOOL DISTRICT
POLK 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)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 2,154,000	\$ 2,626,947	\$ 472,947			
State assistance	7,688,277	7,624,457	(63,820)	\$ 5,200	\$ 5,493	\$ 293
Federal assistance	8,500	85,194	76,694	1,643,956	1,584,584	(59,372)
Activity revenues		186,592	186,592			
Meal sales				289,359	273,936	(15,423)
Investment income	18,000	24,478	6,478	3,000	742	(2,258)
Other revenues	54,791	113,533	58,742			
TOTAL REVENUES	9,923,568	10,661,201	737,633	1,941,515	1,864,755	(76,760)
EXPENDITURES						
Regular programs	3,994,039	3,634,745	359,294	71,473	75,455	(3,982)
Special education	358,907	374,062	(15,155)	148,850	94,886	53,964
Career education programs	435,243	433,016	2,227			
Compensatory education programs	13,670	3,087	10,583	300,782	280,721	20,061
Other instructional programs	431,801	441,834	(10,033)	23,730	22,287	1,443
Student support services	395,708	386,626	9,082	147,571	190,046	(42,475)
Instructional staff support services	654,937	614,339	40,598	331,136	258,608	72,528
General administration support services	589,062	249,249	339,813	25,348	25,036	312
School administration support services	460,298	464,126	(3,828)			
Central services support services	260,206	275,169	(14,963)			
Operation and maintenance of plant services	1,266,549	1,090,431	176,118	5,300		5,300
Student transportation services	682,312	700,750	(18,438)		2,938	(2,938)
Other support services	13,000	10,453	2,547			
Food services operations	200,000	180,342	19,658	1,199,270	978,507	220,763
Community services operations				1,000		1,000
Facilities acquisition and construction services	10,000		10,000			
Non-programmed costs		6,521	(6,521)	10,000	10,350	(350)
Activity expenditures		186,818	(186,818)			
Debt Service:						
Principal retirement	31,959	31,959				
Interest and fiscal charges	4,826	4,826				
TOTAL EXPENDITURES	9,802,517	9,088,353	714,164	2,264,460	1,938,834	325,626

COSSATOT RIVER SCHOOL DISTRICT
POLK 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	\$ 121,051	\$ 1,572,848	\$ 1,451,797	\$ (322,945)	\$ (74,079)	\$ 248,866
OTHER FINANCING SOURCES (USES)						
Transfers in	4,529,456		(4,529,456)		690	690
Transfers out	(5,195,605)	(1,534,536)	3,661,069			
Refund to grantor					(45,000)	(45,000)
TOTAL OTHER FINANCING SOURCES (USES)	(666,149)	(1,534,536)	(868,387)		(44,310)	(44,310)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(545,098)	38,312	583,410	(322,945)	(118,389)	204,556
FUND BALANCES - JULY 1	5,714,165	5,664,948	(49,217)	420,730	417,626	(3,104)
FUND BALANCES - JUNE 30	\$ 5,169,067	\$ 5,703,260	\$ 534,193	\$ 97,785	\$ 299,237	\$ 201,452

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

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Cossatot River 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.

COSSATOT RIVER SCHOOL DISTRICT
POLK 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	10-20
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.

COSSATOT RIVER SCHOOL DISTRICT
POLK 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. 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.

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budget and Budgetary Accounting (Continued)

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.

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 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.

M. Encumbrances

The District does not utilize encumbrance accounting.

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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)	\$ 387,323	\$ 387,323
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	7,560,418	7,992,187
Total Deposits	\$ 7,947,741	\$ 8,379,510

The above total deposits do not include cash of \$1,633 which was held in the Howard County Treasury and cash on hand of \$150. The above total deposits include certificates of deposit of \$137,323 reported as investments and classified as nonparticipating contracts.

3: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Federal assistance		\$ 244,360	\$ 86,119
Activity fund accounts	\$ 215		
Meal sales		54	
Investment income	5		
Other	2,729		
Totals	\$ 2,949	\$ 244,414	\$ 86,119

4: COMMITMENTS

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
Umpire High School roof	October 31, 2015	\$ 66,256

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities To June 30, 2015
2/1/08	2/1/18	2.5 - 3.25%	\$ 500,000	\$ 170,000	\$ 330,000
12/1/10	12/1/29	5.25%	3,580,000	3,580,000	
3/1/12	6/1/37	.75 - 3.3%	2,090,000	1,950,000	140,000
5/1/12	2/1/28	1 - 2.5%	875,000	765,000	110,000
9/1/14	2/1/28	1 - 2.7%	2,400,000	2,355,000	45,000
7/20/09	7/20/19	4.9%	124,065	67,453	56,612
Totals			<u>\$ 9,569,065</u>	<u>\$ 8,887,453</u>	<u>\$ 681,612</u>

Changes in Long-term Debt

	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
Bonds payable	\$ 8,965,000	\$ 2,400,000	\$ 2,545,000	\$ 8,820,000
Postdated warrants	18,863		18,863	
Capital leases	80,549		13,096	67,453
Totals	<u>\$ 9,064,412</u>	<u>\$ 2,400,000</u>	<u>\$ 2,576,959</u>	<u>* \$ 8,887,453</u>

*Includes \$2,330,000 early retirement of debt - See Note 6.

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2016	\$ 338,746	\$ 305,640	\$ 644,386
2017	369,428	300,640	670,068
2018	375,143	294,904	670,047
2019	305,895	288,695	594,590
2020	288,241	283,387	571,628
2021-2025	1,630,000	1,327,042	2,957,042
2026-2030	4,835,000	1,039,560	5,874,560
2031-2035	510,000	86,643	596,643
2036-2037	235,000	11,657	246,657
Totals	<u>\$ 8,887,453</u>	<u>\$ 3,938,168</u>	<u>\$ 12,825,621</u>

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4: COMMITMENTS (Continued)

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

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2015:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
School buses	<u>\$ 157,970</u>	<u>\$ 110,250</u>	<u>\$ 47,720</u>

The present value of the net minimum lease payments is as follows at June 30, 2015:

Total Minimum Lease Payments	\$ 75,982
Less: Amount Representing Interest	<u>8,529</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 67,453</u>

Qualified School Construction Bonds

On December 1, 2010, the District obtained funding of \$3,580,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit a specified amount annually into a sinking fund for 19 years. This amount plus interest earned will be used to retire the debt when due.

Security for Debt Payments

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

5: ACCOUNTS PAYABLE

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

<u>Description</u>	<u>Governmental Funds</u>		<u>Fiduciary Fund Types</u>
	<u>Major</u>		
	<u>General</u>	<u>Special Revenue</u>	
Vendor payables	<u>\$ 69,490</u>	<u>\$ 31,623</u>	<u>\$ 724</u>

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

6: DEBT REFUNDINGS

On September 1, 2014, the District issued refunding bonds of \$2,400,000 with interest rates of 1 to 2.7 percent to refund \$2,330,000 of outstanding bonds dated March 1, 2009. The interest rates of the bonds refunded were 1.5 to 4.25 percent. Net bond proceeds of \$2,346,808 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on October 6, 2014. The remaining proceeds of \$983 (after payment of \$52,209 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$210,692 to the District over the life of the bonds.

7: INTERFUND TRANSFERS

The District transferred \$1,533,846 from the general fund to the other aggregate funds for debt related payments of \$507,355, capital projects of \$905,706, and debt refunding savings of \$120,785 required to be utilized for capital expenditures. The District also transferred \$690 from the general fund to the special revenue fund to reimburse the child nutrition program for unallowed expenditures noted during the 2014 fiscal year audit.

8: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 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 \$848,565, 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 \$5,433,514.

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8: RETIREMENT PLANS (Continued)

Arkansas Public Employees Retirement System

Plan Description

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

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, 2015 were \$927, 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 \$2,799.

9: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 3,000
DEDUCTIONS	
Scholarships	2,000
CHANGE IN FUND BALANCE	1,000
FUND BALANCE - JULY 1	3,717
FUND BALANCE - JUNE 30	\$ 4,717

10: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$9,445,000 issued from February 1, 2008 through September 1, 2014. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$12,749,639, payable through June 1, 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$535,237 and \$1,134,363, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 47.18 percent.

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

11: 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 student accidents.

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

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$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.

12: 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 \$261,064 for the year ended June 30, 2015.

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 1,198		
Educational programs - national school lunch state categorical funding	124,105		
English-language learners	6,718		
Professional development	11,014		
Capital projects			\$ 455,122
Child nutrition programs		\$ 290,348	
Debt service			753,684
Medical services		6,420	
Special education programs	1,037		
Isolated special needs funding	349,639		
Other purposes	13,652	2,469	
Total Restricted	<u>507,363</u>	<u>299,237</u>	<u>1,208,806</u>
Assigned to:			
Capital projects			1,691,238
Student activities	50,134		
Total Assigned	<u>50,134</u>		<u>1,691,238</u>
Unassigned	<u>5,145,763</u>		
Totals	<u>\$ 5,703,260</u>	<u>\$ 299,237</u>	<u>\$ 2,900,044</u>

COSSATOT RIVER SCHOOL DISTRICT
 POLK COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2015
 (Unaudited)

Schedule 1

	Balance June 30, 2015
<i>Nondepreciable capital assets:</i>	
Land	\$ 474,317
<i>Depreciable capital assets:</i>	
Buildings	26,031,824
Improvements/infrastructure	193,465
Equipment	4,245,504
Total depreciable capital assets	30,470,793
Less accumulated depreciation for:	
Buildings	3,745,299
Improvements/infrastructure	90,533
Equipment	2,204,511
Total accumulated depreciation	6,040,343
Total depreciable capital assets, net	24,430,450
Capital assets, net	\$ 24,904,767

COSSATOT RIVER SCHOOL DISTRICT
POLK 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
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	57-07-000	\$ 219,742
National School Lunch Program - Cash Assistance	10.555	57-07-000	404,634
Total State Department of Education			624,376
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	5707000	46,635
TOTAL CHILD NUTRITION CLUSTER			671,011
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Direct Program:			
Indian Education - Grants to Local Educational Agencies	84.060		8,519
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	57-07	464,601
Special Education - Grants to States	84.027	57-07	253,624
Twenty-First Century Community Learning Centers	84.287	57-07	15,257
Rural Education	84.358	57-07	28,417
English Language Acquisition State Grants	84.365	57-07	22,286
Improving Teacher Quality State Grants	84.367	57-07	49,167
Total State Department of Education			833,352
Total U. S. Department of Education			841,871
TOTAL OTHER PROGRAMS			841,871
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,512,882

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 Cossatot River School District (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 \$34,733 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

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, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, certain key weaknesses include the following: payroll checks were prepared by the same employee who was responsible for processing payroll and for making changes in the payroll system, without compensating controls. Non-payroll checks were prepared by the same employee with the ability to make changes to the vendor file, without compensating controls. This employee was also responsible for preparation of the bank reconciliations and maintenance of accounting records, without compensating controls.

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

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

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

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

Views of responsible officials and planned corrective actions: We concur with the recommendation and will implement corrective procedures to the extent possible.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

COSSATOT RIVER SCHOOL DISTRICT
POLK 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

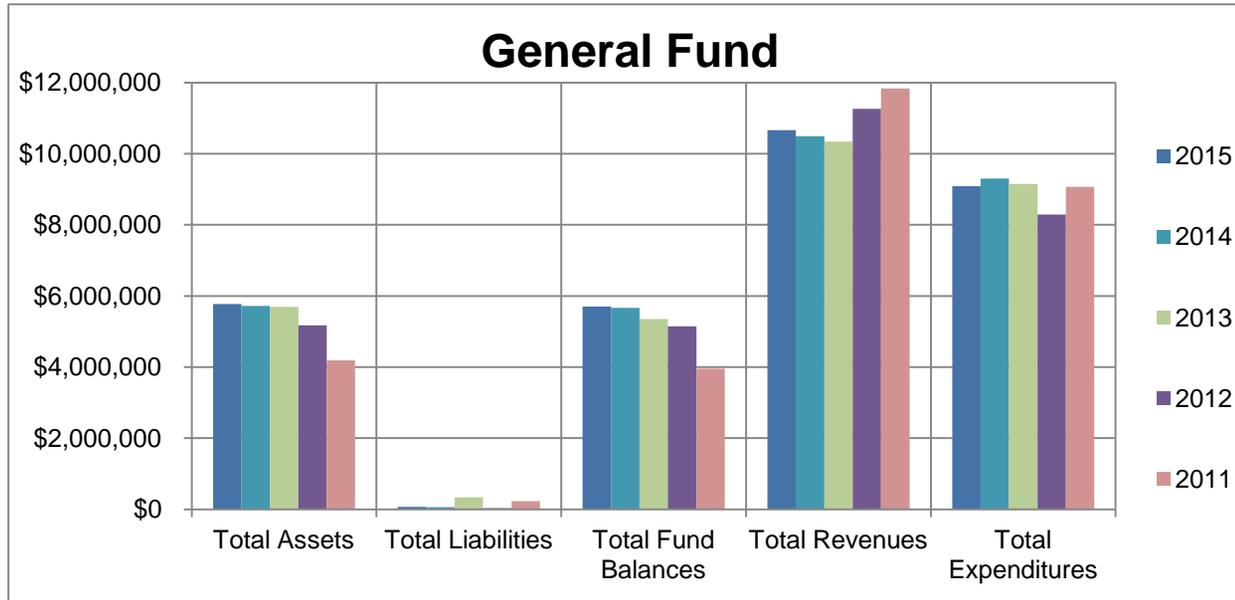
Condition: Unallowable costs paid from the child nutrition program totaling \$690 for the year ended June 30, 2014 were detected. These expenditures resulted from the payment of substitute bus driver compensation that should have been recorded in the District's general fund.

Recommendation: The District should contact the Arkansas Department of Education, Child Nutrition Unit for guidance regarding this matter and implement proper controls over program payroll expenditures.

Current Status: Corrective action was taken.

COSSATOT RIVER SCHOOL DISTRICT
 POLK COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015
 (Unaudited)

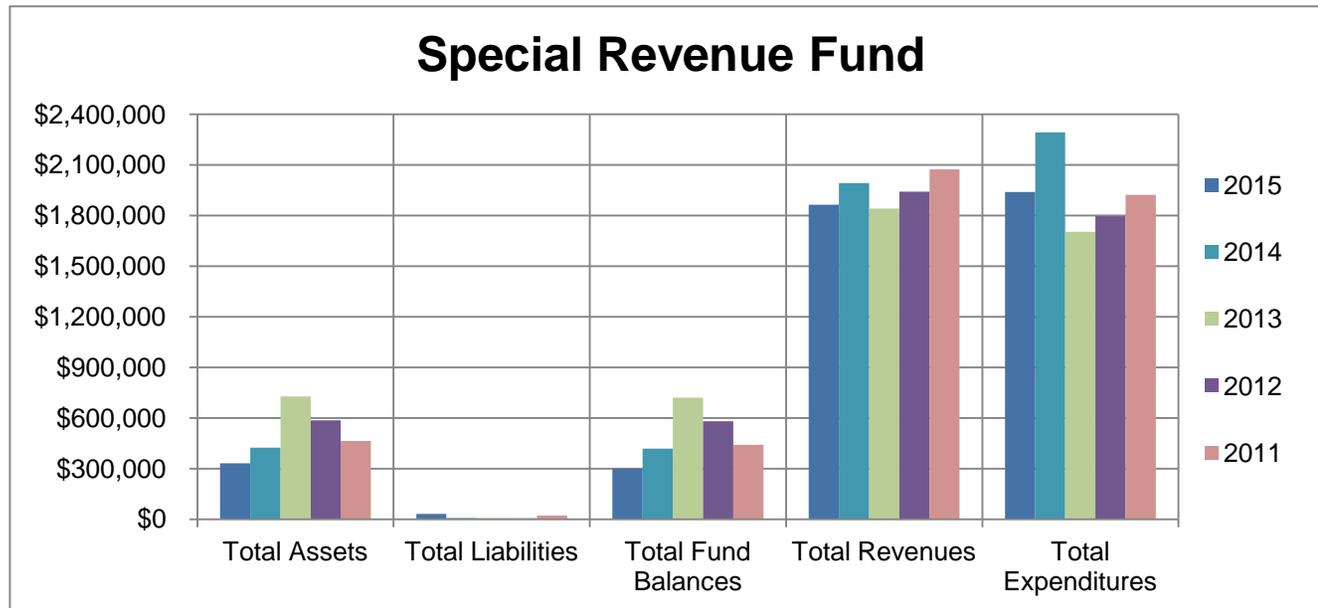
General Fund	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets	\$ 5,774,231	\$ 5,722,454	\$ 5,687,380	\$ 5,175,581	\$ 4,183,480
Total Liabilities	70,971	57,506	334,937	34,465	230,638
Total Fund Balances	5,703,260	5,664,948	5,352,443	5,141,116	3,952,842
Total Revenues	10,661,201	10,491,971	10,335,225	11,259,289	11,835,713
Total Expenditures	9,088,353	9,301,974	9,145,573	8,284,845	9,071,675
Total Other Financing Sources (Uses)	(1,534,536)	(877,672)	(978,325)	(1,786,170)	(1,902,882)



COSSATOT RIVER SCHOOL DISTRICT
POLK COUNTY, ARKANSAS

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

Special Revenue Fund	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets	\$ 330,860	\$ 424,403	\$ 727,219	\$ 585,514	\$ 462,961
Total Liabilities	31,623	6,777	7,754	4,352	22,664
Total Fund Balances	299,237	417,626	719,465	581,162	440,297
Total Revenues	1,864,755	1,991,648	1,842,236	1,940,700	2,072,836
Total Expenditures	1,938,834	2,293,487	1,703,933	1,796,135	1,923,558
Total Other Financing Sources (Uses)	(44,310)			(3,700)	(47,016)



COSSATOT RIVER SCHOOL DISTRICT
 POLK 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	\$ 2,900,044	\$ 1,728,950	\$ 2,195,794	\$ 5,638,888	\$ 5,138,412
Total Liabilities			201,923	1,155,555	56,062
Total Fund Balances	2,900,044	1,728,950	1,993,871	4,483,333	5,082,350
Total Revenues	175,031	1,079,595	6,759,579	1,762,762	130,858
Total Expenditures	538,766	2,327,807	10,227,366	4,157,580	693,983
Total Other Financing Sources (Uses)	1,534,829	983,291	978,325	1,795,801	5,472,632

