

Sheridan School District No. 37

Grant County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE



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GRANT COUNTY, ARKANSAS
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Arkansas

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Rep. Sue Scott
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Sheridan School District No. 37 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 Sheridan School District No. 37 (the "District"), as of and for the year ended June 30, 2016, 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, 2016, 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, 2016, 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 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 November 30, 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
November 30, 2016
EDSD14416

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Sheridan School District No. 37 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 Sheridan School District No. 37 (the "District"), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated November 30, 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, 2016, 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 regulatory basis financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

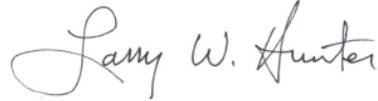
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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
November 30, 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 THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Sheridan School District No. 37 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Sheridan School District No. 37 (the "District") compliance with the types of compliance requirements described in the *OMB 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, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

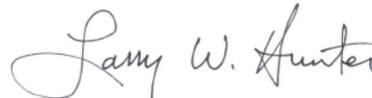
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be 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
November 30, 2016

SHERIDAN SCHOOL DISTRICT NO. 37
 GRANT COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2016

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 7,778,146		\$ 6,324,035	\$ 251,423
Accounts receivable	12,896	\$ 208,372		
Due from other funds	78,189			
Deposit with paying agent			1,764,706	
TOTAL ASSETS	\$ 7,869,231	\$ 208,372	\$ 8,088,741	\$ 251,423
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 28,999	\$ 1,092	\$ 276,414	
Due student groups				\$ 219,896
Due to other funds		78,189		
Total Liabilities	28,999	79,281	276,414	219,896
Fund Balances:				
Restricted	298,199	129,091	3,787,748	31,527
Assigned	537,528		4,024,579	
Unassigned	7,004,505			
Total Fund Balances	7,840,232	129,091	7,812,327	31,527
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,869,231	\$ 208,372	\$ 8,088,741	\$ 251,423

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

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 9,402,892		
State assistance	22,354,757	\$ 12,198	
Federal assistance		3,230,570	\$ 218,360
Activity revenues	399,018		
Meal sales		408,407	
Investment income	51,731	18,466	40,122
Other revenues	126,175	391	
TOTAL REVENUES	32,334,573	3,670,032	258,482
EXPENDITURES			
Regular programs	12,694,976		
Special education	1,541,732	745,745	
Career education programs	767,283	47,167	
Compensatory education programs	382,279	327,331	
Other instructional programs	1,749,624	69,919	
Student support services	1,297,341	265,896	
Instructional staff support services	1,437,662	487,012	
General administration support services	872,174	64,644	
School administration support services	1,838,294		
Central services support services	917,638	150	
Operation and maintenance of plant services	2,812,971	21,304	66,083
Student transportation services	2,216,165	18,673	
Other support services	106,360	22,050	
Food services operations	857	1,784,638	
Facilities acquisition and construction services	86,773		320,257
Non-programmed costs	2,168		
Activity expenditures	346,581		
Debt Service:			
Principal retirement	116,521		35,000
Interest and fiscal charges	16,394		580,719
TOTAL EXPENDITURES	29,203,793	3,854,529	1,002,059
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,130,780	(184,497)	(743,577)
OTHER FINANCING SOURCES (USES)			
Transfers in		127,033	1,464,464
Transfers out	(1,591,497)		
Proceeds from installment contract	410,000		
Refund to grantor	(13,321)	(4,728)	
Compensation for loss of capital assets	89,120		
Proceeds from refunding bond issue			13,440,000
Payment to refunding bond escrow agent			(13,243,083)
Net bond issuance costs			(167,128)
TOTAL OTHER FINANCING SOURCES (USES)	(1,105,698)	122,305	1,494,253
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,025,082	(62,192)	750,676
FUND BALANCES - JULY 1	5,815,150	191,283	7,061,651
FUND BALANCES - JUNE 30	\$ 7,840,232	\$ 129,091	\$ 7,812,327

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

SHERIDAN SCHOOL DISTRICT NO. 37
 GRANT 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, 2016

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 9,041,346	\$ 9,402,892	\$ 361,546			
State assistance	22,422,194	22,354,757	(67,437)	\$ 14,400	\$ 12,198	\$ (2,202)
Federal assistance				3,072,303	3,230,570	158,267
Activity revenues	2,500	399,018	396,518			
Meal sales				476,500	408,407	(68,093)
Investment income	35,000	51,731	16,731	12,250	18,466	6,216
Other revenues	438,800	126,175	(312,625)		391	391
TOTAL REVENUES	31,939,840	32,334,573	394,733	3,575,453	3,670,032	94,579
EXPENDITURES						
Regular programs	13,033,115	12,694,976	338,139			
Special education	1,565,599	1,541,732	23,867	752,182	745,745	6,437
Career education programs	801,306	767,283	34,023	47,262	47,167	95
Compensatory education programs	386,765	382,279	4,486	335,721	327,331	8,390
Other instructional programs	1,745,665	1,749,624	(3,959)	68,868	69,919	(1,051)
Student support services	1,309,341	1,297,341	12,000	263,464	265,896	(2,432)
Instructional staff support services	2,063,764	1,437,662	626,102	605,821	487,012	118,809
General administration support services	892,125	872,174	19,951	59,604	64,644	(5,040)
School administration support services	1,899,739	1,838,294	61,445			
Central services support services	1,285,499	917,638	367,861		150	(150)
Operation and maintenance of plant services	3,343,531	2,812,971	530,560	24,625	21,304	3,321
Student transportation services	2,476,476	2,216,165	260,311	20,533	18,673	1,860
Other support services	65,289	106,360	(41,071)	16,000	22,050	(6,050)
Food services operations	3,300	857	2,443	1,564,500	1,784,638	(220,138)
Community services operations				8,156		8,156
Facilities acquisition and construction services		86,773	(86,773)			
Non-programmed costs		2,168	(2,168)			
Activity expenditures		346,581	(346,581)			
Debt Service:						
Principal retirement	116,520	116,521				
Interest and fiscal charges	16,395	16,394				
TOTAL EXPENDITURES	31,004,429	29,203,793	1,800,636	3,766,736	3,854,529	(87,793)

SHERIDAN SCHOOL DISTRICT NO. 37
 GRANT 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, 2016

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 935,411	\$ 3,130,780	\$ 2,195,369	\$ (191,283)	\$ (184,497)	\$ 6,786
OTHER FINANCING SOURCES (USES)						
Transfers in	42,733,318		(42,733,318)		127,033	127,033
Transfers out	(44,197,377)	(1,591,497)	42,605,880			
Proceeds from installment contract		410,000	410,000			
Refund to grantor		(13,321)	(13,321)		(4,728)	(4,728)
Compensation for loss of capital assets		89,120	89,120			
TOTAL OTHER FINANCING SOURCES (USES)	(1,464,059)	(1,105,698)	358,361		122,305	122,305
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(528,648)	2,025,082	2,553,730	(191,283)	(62,192)	129,091
FUND BALANCES - JULY 1	6,101,006	5,815,150	(285,856)	191,283	191,283	
FUND BALANCES - JUNE 30	\$ 5,572,358	\$ 7,840,232	\$ 2,267,874	\$ 0	\$ 129,091	\$ 129,091

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

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 Sheridan 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.

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20
Buildings	50
Equipment	5-20

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2015 calendar year taxes collected by June 30, 2016 and 20 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, 2016 equaled or exceeded the 20 percent calculation.

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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.

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.

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	13,853,604	14,824,958
Total Deposits	\$ 14,353,604	\$ 15,324,958

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 2,738	
Federal assistance		\$ 125,792
Other	10,158	82,580
Totals	\$ 12,896	\$ 208,372

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2016:

A. Construction Contracts

<u>Project Name</u>	<u>Completion Date</u>	<u>Contract Balance</u>
High School elevator	July 31, 2016	\$ 75,112
East End School renovations	July 31, 2016	102,501

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

General description of lease and leasing arrangements: Lease agreement with Ricoh Americas Corporation for 32 copiers.

1. Future minimum rental payments (aggregate) at June 30, 2016: \$215,402
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 107,701
2018	107,701
Total	<u>\$ 215,402</u>

Rental payments for the operating lease described above were approximately \$107,713 for the year ended June 30, 2016.

C. Long-term Debt Issued and Outstanding

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2016</u>	<u>Maturities To June 30, 2016</u>
7/1/08	2/1/33	2.5 - 4.25%	\$ 1,045,000	\$ 790,000	\$ 255,000
8/18/10	3/1/27	4.7%	5,000,000	5,000,000	
7/5/13	7/6/17	2.91%	391,844	201,532	190,312
4/7/14	4/15/24	4.29%	200,000	160,000	40,000
9/1/15	9/1/20	2.36%	410,000	410,000	
12/1/15	2/1/33	2 - 3.25%	13,440,000	13,440,000	
Totals			<u>\$ 20,486,844</u>	<u>\$ 20,001,532</u>	<u>\$ 485,312</u>

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

4: COMMITMENTS (Continued)

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

Changes in Long-term Debt

	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
Bonds payable	\$ 18,810,000	\$ 13,440,000	\$ 13,020,000	\$ 19,230,000
Installment contracts	478,053	410,000	116,521	771,532
Totals	<u>\$ 19,288,053</u>	<u>\$ 13,850,000</u>	<u>\$ 13,136,521</u> *	<u>\$ 20,001,532</u>

*Includes \$12,985,000 early retirement of debt - See Note 6.

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2017	\$ 622,205	\$ 643,470	\$ 1,265,675
2018	932,113	628,680	1,560,793
2019	846,947	607,669	1,454,616
2020	859,053	589,192	1,448,245
2021	881,214	570,461	1,451,675
2022-2026	4,155,000	2,570,127	6,725,127
2027-2031	9,695,000	1,007,675	10,702,675
2032-2033	2,010,000	99,213	2,109,213
Totals	<u>\$ 20,001,532</u>	<u>\$ 6,716,487</u>	<u>\$ 26,718,019</u>

Qualified School Construction Bonds

On September 7, 2010, the District obtained funding of \$5,000,000 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 17 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, 2016 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	<u>\$ 28,999</u>	<u>\$ 1,092</u>	<u>\$ 276,414</u>

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6: DEBT REFUNDINGS

On December 1, 2015, the District issued refunding bonds of \$13,440,000 with interest rates of 2 to 3.25 percent to refund \$12,985,000 of outstanding bonds dated November 1, 2009. The interest rates of the bonds refunded were 2 to 4.5 percent. Net bond proceeds of \$13,243,083 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on January 29, 2016. The remaining proceeds of \$29,789 (after payment of \$167,128 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$1,119,290 to the District over the life of the bonds.

7: INTERFUND TRANSFERS

The District transferred \$127,033 from the general fund to the special revenue fund to supplement its food services operations. Additionally, the District transferred \$1,464,464 from the general fund to the other aggregate funds for debt related payments of \$621,566 and \$842,898 for debt refunding savings required to be utilized for capital expenditures.

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, 2016 were \$2,829,062, 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, 2015 (actuarial valuation date and measurement date) was \$22,555,212.

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.

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

8: RETIREMENT PLANS (Continued)

Arkansas Public Employees Retirement System (Continued)

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, 2016 were \$4,075, 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, 2015 (actuarial valuation date and measurement date) was \$27,744.

9: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 17,696
Interest	667
TOTAL ADDITIONS	18,363
DEDUCTIONS	
Scholarships	11,550
CHANGE IN FUND BALANCE	6,813
FUND BALANCE - JULY 1	24,714
FUND BALANCE - JUNE 30	\$ 31,527

10: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$19,485,000 issued from July 1, 2008 through December 1, 2015. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$25,874,598, payable through February 1, 2033. Principal and interest paid for the current year and total property taxes pledged for debt service were \$614,723 and \$2,102,510, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 29.24 percent.

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, student accidents, and preschool property coverage.

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.

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

11: RISK MANAGEMENT (Continued)

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

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

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

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 \$723,973 for the year ended June 30, 2016.

13: 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	\$ 51,725		
English-language learners	15,305		
Professional development	24,576		
Capital projects			\$2,023,042
Debt service			1,764,706
Medical services		\$ 119,467	
Special education programs	153,472		
Other purposes	53,121	9,624	
Total Restricted	<u>298,199</u>	<u>129,091</u>	<u>3,787,748</u>
Assigned to:			
Capital projects	288		4,024,579
Student activities	537,240		
Total Assigned	<u>537,528</u>		<u>4,024,579</u>
Unassigned	<u>7,004,505</u>		
Totals	<u>\$7,840,232</u>	<u>\$ 129,091</u>	<u>\$7,812,327</u>

14: COMPENSATION FOR LOSS OF CAPITAL ASSETS

During the year ended June 30, 2016, the District received insurance proceeds of \$89,120 for losses incurred on vehicles and buses.

15: SUBSEQUENT EVENTS

On October 19, 2016, the District sold \$31,215,000 of construction bonds to be dated December 1, 2016.

SHERIDAN SCHOOL DISTRICT NO. 37
 GRANT COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

Schedule 1

	Balance June 30, 2016
<i>Nondepreciable capital assets:</i>	
Land	\$ 1,448,660
Construction in progress	320,257
Total nondepreciable capital assets	1,768,917
 <i>Depreciable capital assets:</i>	
Buildings	34,430,466
Improvements/infrastructure	6,564,046
Equipment	8,592,160
Total depreciable capital assets	49,586,672
 Less accumulated depreciation for:	
Buildings	13,201,279
Improvements/infrastructure	2,147,335
Equipment	6,119,183
Total accumulated depreciation	21,467,797
 Total depreciable capital assets, net	 28,118,875
 Capital assets, net	 \$ 29,887,792

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Direct Program:				
National School Lunch Program (Note 3)	10.555			\$ 24,997
Passed Through Arkansas Department of Education:				
School Breakfast Program	10.553	2705		259,415
National School Lunch Program	10.555	2705		840,086
Total Arkansas Department of Education				<u>1,099,501</u>
Passed Through Arkansas Department of Human Services:				
National School Lunch Program (Note 4)	10.555	2705000		<u>115,098</u>
TOTAL CHILD NUTRITION CLUSTER				<u>1,239,596</u>
OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
Direct Program:				
ROTC (Note 5)	12.AR24018			<u>69,919</u>
<u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title I Grants to Local Educational Agencies	84.010	2705		678,795
Special Education - Grants to States	84.027	2705		816,333
Improving Teacher Quality State Grants	84.367	2705		96,077
Total Arkansas Department of Education				<u>1,591,205</u>
Passed Through Arkansas Department of Career Education:				
Career and Technical Education - Basic Grants to States	84.048	2705		<u>47,167</u>
Total U. S. Department of Education				<u>1,638,372</u>
TOTAL OTHER PROGRAMS				<u>1,708,291</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 2,947,887</u>

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 Sheridan School District No. 37 (District) under programs of the federal government for the year ended June 30, 2016. 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, 2016, the District received Medicaid funding of \$230,432 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY

U. S. DEPARTMENT OF AGRICULTURE
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
SCHOOL BREAKFAST PROGRAM - CFDA NUMBER 10.553
PASS-THROUGH NUMBER 2705
AUDIT PERIOD - YEAR ENDED JUNE 30, 2016

2016-001. Reporting

Criteria or specific requirement: Monthly claims for reimbursement are required to be submitted to the Arkansas Department of Education, Child Nutrition Unit (ADE, CNU). Reimbursement claim components include the total number of free, reduced price, and paid meals served. The total meals served by category are to be derived from the daily record forms.

Condition: An examination of the monthly claims for reimbursement identified the number of paid breakfasts reported on the November 2015 claim for reimbursement did not agree with the daily record forms. The paid breakfasts were overstated by 16,199 at \$.29 per meal resulting in an over claim of \$4,698 for the month.

Context: Documentation substantiating the District's four monthly claims for reimbursements that were tested for the audit year from a total population of ten claims was examined. The total amount claimed for the four months tested was \$469,464 from a total claim population of \$1,099,501.

Effect: The District was not properly reimbursed for meals served during the year. The over claim was \$4,698.

Cause: The inaccurate reporting of meals served resulted from clerical errors in posting data from the daily record forms to the monthly claim for reimbursement.

Recommendation: Contact the ADE, CNU for corrective action regarding this matter.

Views of responsible officials and planned corrective actions: The Sheridan School District will make every effort to process Food Service reimbursement claims accurately. We will triple check the form at each in-district reporting level. The District has begun the process to return overpayment of funds in the amount of \$4,698 to the State.

SHERIDAN SCHOOL DISTRICT NO. 37
GRANT COUNTY, ARKANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U. S. DEPARTMENT OF EDUCATION
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
SPECIAL EDUCATION - GRANTS TO STATES

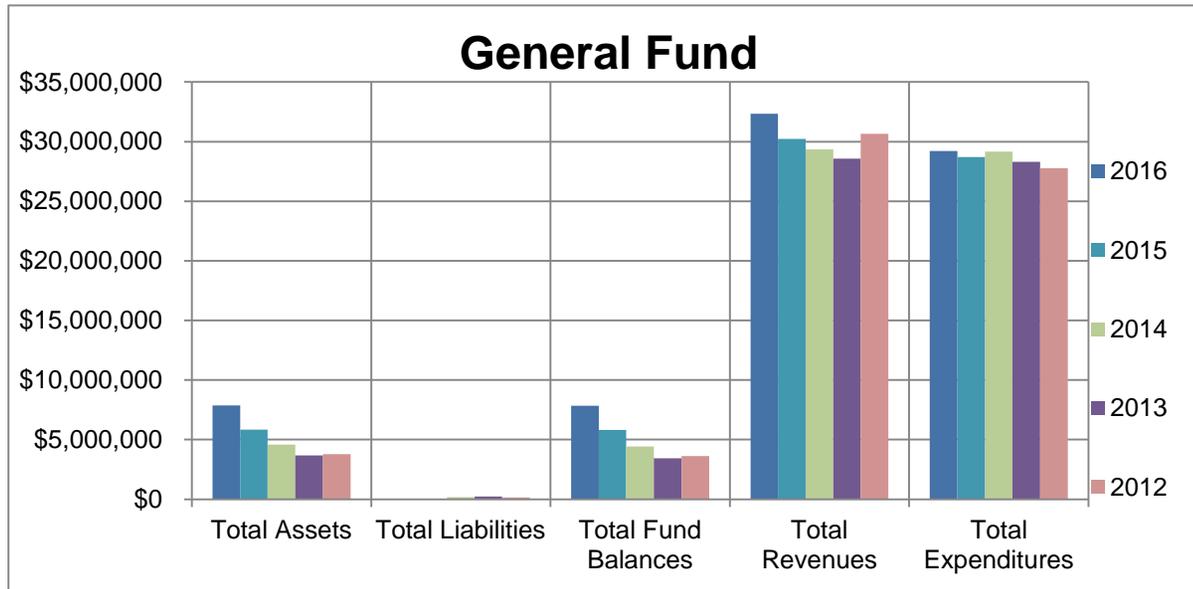
2015 - Finding 2015-001: Special Education - Grants to States - CFDA Number 84.027

Condition: The School Based Mental Health Grant expenditures of the Special Education program for function 1240/object 63000 (Special Class - 1:10 Ratio/Purchased Professional and Technical Services) and function 2160/object 63000 (Physical and Occupational Therapy/Purchased Professional and Technical Services) exceeded the 10 percent allowable variance by \$964 and \$1,822, respectively. The expenditures did not exceed the total overall budget. A similar finding was reported in the prior audit.

Current Status: Corrective action was taken.

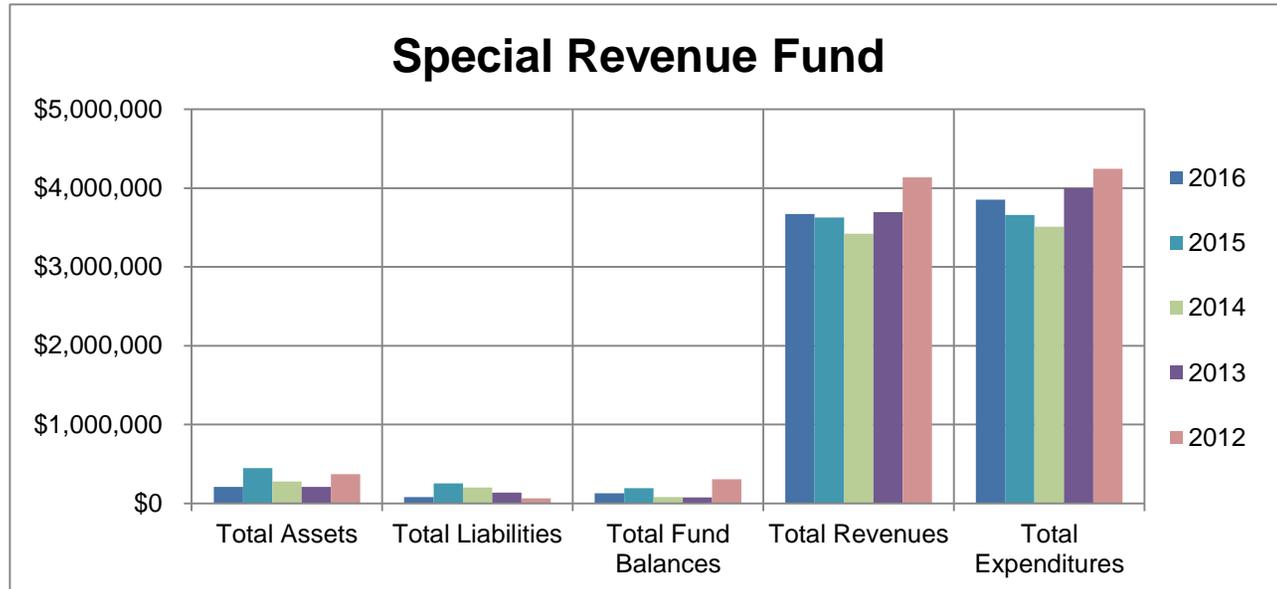
SHERIDAN SCHOOL DISTRICT NO. 37
 GRANT COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 7,869,231	\$ 5,837,234	\$ 4,595,644	\$ 3,686,291	\$ 3,775,729
Total Liabilities	28,999	22,084	171,380	240,088	162,935
Total Fund Balances	7,840,232	5,815,150	4,424,264	3,446,203	3,612,794
Total Revenues	32,334,573	30,230,927	29,338,342	28,583,730	30,667,757
Total Expenditures	29,203,793	28,694,838	29,158,225	28,298,146	27,762,750
Total Other Financing Sources (Uses)	(1,105,698)	(147,703)	797,220	(452,175)	(2,179,411)



SHERIDAN SCHOOL DISTRICT NO. 37
 GRANT COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 208,372	\$ 446,413	\$ 277,836	\$ 209,326	\$ 370,963
Total Liabilities	79,281	255,130	199,616	135,452	64,756
Total Fund Balances	129,091	191,283	78,220	73,874	306,207
Total Revenues	3,670,032	3,625,759	3,420,578	3,696,143	4,137,122
Total Expenditures	3,854,529	3,657,899	3,508,560	3,997,037	4,244,768
Total Other Financing Sources (Uses)	122,305	147,703	93,052	68,561	198,109



SHERIDAN SCHOOL DISTRICT NO. 37
 GRANT COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 8,088,741	\$ 7,061,651	\$ 5,990,832	\$ 7,408,251	\$ 10,067,013
Total Liabilities	276,414			464,874	1,645,522
Total Fund Balances	7,812,327	7,061,651	5,990,832	6,943,377	8,421,491
Total Revenues	258,482	2,426,825	3,462,741	2,308,808	2,312,532
Total Expenditures	1,002,059	1,356,006	3,725,014	4,077,277	5,249,188
Total Other Financing Sources (Uses)	1,494,253		(690,272)	290,355	1,981,302

