

**Rivercrest School District No. 57**

**Mississippi County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2016**

LEGISLATIVE JOINT AUDITING COMMITTEE



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MISSISSIPPI COUNTY, ARKANSAS  
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# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Lance Eads**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Mary Bentley**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Rivercrest School District No. 57 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 Rivercrest School District No. 57 (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 February 27, 2017 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 27, 2017  
EDSD43816

# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Lance Eads**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
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**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

Rivercrest School District No. 57 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 Rivercrest School District No. 57 (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 February 27, 2017. 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.

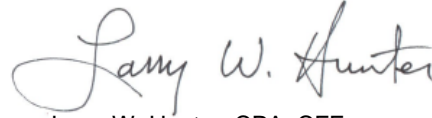
#### Compliance and Other Matters

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  
February 27, 2017

# 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

Rivercrest School District No. 57 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Rivercrest School District No. 57 (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.

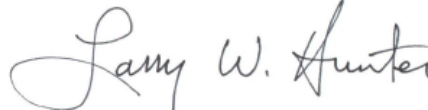
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 a significant deficiency.

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

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 27, 2017



RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 3,839,625	\$ 203,257	\$ 5,200,164	\$ 11,821
Accounts receivable	117,155	228,513		
Deposit with paying agent			120,062	
<b>TOTAL ASSETS</b>	<b>\$ 3,956,780</b>	<b>\$ 431,770</b>	<b>\$ 5,320,226</b>	<b>\$ 11,821</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 163,019	\$ 6,833	\$ 17,569	
Due student groups				\$ 11,821
<b>Total Liabilities</b>	<b>163,019</b>	<b>6,833</b>	<b>17,569</b>	<b>11,821</b>
Fund Balances:				
Nonspendable			120,062	
Restricted	438,083	424,937	262,114	
Assigned	79,790		4,920,481	
Unassigned	3,275,888			
<b>Total Fund Balances</b>	<b>3,793,761</b>	<b>424,937</b>	<b>5,302,657</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,956,780</b>	<b>\$ 431,770</b>	<b>\$ 5,320,226</b>	<b>\$ 11,821</b>

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

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 3,239,652		
State assistance	7,903,856	\$ 4,766	
Federal assistance		1,785,198	
Activity revenues	261,458		
Meal sales		79,071	
Investment income	883		
Other revenues	512,491		
<b>TOTAL REVENUES</b>	<b>11,918,340</b>	<b>1,869,035</b>	
<b>EXPENDITURES</b>			
Regular programs	4,020,627	83,440	
Special education	323,624	251,305	
Career education programs	171,639		
Compensatory education programs	567,019	272,994	
Other instructional programs	228,881		
Student support services	364,226	168,969	
Instructional staff support services	567,293	181,119	
General administration support services	262,776	25,255	
School administration support services	526,743		
Central services support services	282,279	4,745	
Operation and maintenance of plant services	1,327,175	13,858	
Student transportation services	716,925	115,633	
Other support services	34,428		
Food services operations		803,543	
Community services operations		2,221	
Facilities acquisition and construction services			\$ 17,569
Non-programmed costs		16,566	
Activity expenditures	259,026		
Debt Service:			
Principal retirement	37,778		93,972
Interest and fiscal charges	10,798		383,220
<b>TOTAL EXPENDITURES</b>	<b>9,701,237</b>	<b>1,939,648</b>	<b>494,761</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,217,103</b>	<b>(70,613)</b>	<b>(494,761)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			1,733,120
Transfers out	(1,733,120)		
Proceeds from postdated warrants	90,000		
Proceeds from refunding bond issue			5,145,000
Payment to refunding bond escrow agent			(5,033,665)
Net bond issuance costs			(109,048)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,643,120)</b>		<b>1,735,407</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>573,983</b>	<b>(70,613)</b>	<b>1,240,646</b>
<b>FUND BALANCES - JULY 1</b>	<b>3,219,778</b>	<b>495,550</b>	<b>4,062,011</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 3,793,761</b>	<b>\$ 424,937</b>	<b>\$ 5,302,657</b>

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

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 2,774,146	\$ 3,239,652	\$ 465,506			
State assistance	7,702,242	7,903,856	201,614	\$ 5,300	\$ 4,766	\$ (534)
Federal assistance	25,000		(25,000)	1,997,239	1,785,198	(212,041)
Activity revenues	310,908	261,458	(49,450)			
Meal sales				83,645	79,071	(4,574)
Investment income	26,000	883	(25,117)			
Other revenues	427,567	512,491	84,924			
<b>TOTAL REVENUES</b>	<b>11,265,863</b>	<b>11,918,340</b>	<b>652,477</b>	<b>2,086,184</b>	<b>1,869,035</b>	<b>(217,149)</b>
<b>EXPENDITURES</b>						
Regular programs	4,248,447	4,020,627	227,820	85,112	83,440	1,672
Special education	354,070	323,624	30,446	371,761	251,305	120,456
Career education programs	153,810	171,639	(17,829)			
Compensatory education programs	619,032	567,019	52,013	302,122	272,994	29,128
Other instructional programs	239,512	228,881	10,631			
Student support services	387,221	364,226	22,995	240,979	168,969	72,010
Instructional staff support services	606,070	567,293	38,777	293,005	181,119	111,886
General administration support services	287,010	262,776	24,234	27,610	25,255	2,355
School administration support services	534,023	526,743	7,280			
Central services support services	294,797	282,279	12,518	8,500	4,745	3,755
Operation and maintenance of plant services	1,632,598	1,327,175	305,423	14,510	13,858	652
Student transportation services	826,486	716,925	109,561	116,547	115,633	914
Other support services	29,765	34,428	(4,663)			
Food services operations				875,109	803,543	71,566
Community services operations				13,946	2,221	11,725
Non-programmed costs				24,426	16,566	7,860
Activity expenditures	305,175	259,026	46,149			
Debt Service:						
Principal retirement	17,670	37,778	(20,108)			
Interest and fiscal charges	56,750	10,798	45,952			
<b>TOTAL EXPENDITURES</b>	<b>10,592,436</b>	<b>9,701,237</b>	<b>891,199</b>	<b>2,373,627</b>	<b>1,939,648</b>	<b>433,979</b>

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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	\$ 673,427	\$ 2,217,103	\$ 1,543,676	\$ (287,443)	\$ (70,613)	\$ 216,830
OTHER FINANCING SOURCES (USES)						
Transfers in	12,465,424		(12,465,424)			
Transfers out	(13,341,905)	(1,733,120)	11,608,785			
Proceeds from postdated warrants		90,000	90,000			
TOTAL OTHER FINANCING SOURCES (USES)	(876,481)	(1,643,120)	(766,639)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(203,054)	573,983	777,037	(287,443)	(70,613)	216,830
FUND BALANCES - JULY 1	3,245,752	3,219,778	(25,974)	422,453	495,550	73,097
FUND BALANCES - JUNE 30	\$ 3,042,698	\$ 3,793,761	\$ 751,063	\$ 135,010	\$ 424,937	\$ 289,927

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

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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 Rivercrest School District (District). There are no component units.

B. Description of Funds

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

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

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

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

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

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

Fiduciary Fund types include the following:

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

C. Measurement Focus and Basis of Accounting

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

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.

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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 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	20-30
Buildings	20-50
Equipment	5-25

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.

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.

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

G. Fund Balance Classifications

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

H. Budget and Budgetary Accounting

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

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

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

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

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

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

K. Fund Balance Classification Policies and Procedures (Continued)

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

L. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 319,214	\$ 320,903
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	8,935,653	9,158,792
Total Deposits	\$ 9,254,867	\$ 9,479,695

**3: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 65,906	
Federal assistance		\$ 228,513
Other	51,249	
Totals	\$ 117,155	\$ 228,513



RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**4: COMMITMENTS**

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

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, 2016	Maturities To June 30, 2016
9/1/05	2/1/25	2.95 - 4%	\$ 520,000	\$ 275,000	\$ 245,000
12/1/06	2/1/22	3.7 - 3.9%	530,000	245,000	285,000
6/1/12	2/1/43	1.625 - 4%	6,600,000	6,540,000	60,000
11/1/15	2/1/34	1 - 3.15%	5,145,000	5,145,000	
3/25/14	3/25/24	3.494%	215,000	177,696	37,304
10/27/15	10/27/21	3.37%	90,000	90,000	
5/5/10	5/5/20	4.9%	159,750	73,285	86,465
2/23/12	2/23/22	4%	230,370	148,993	81,377
Totals			<u>\$ 13,490,120</u>	<u>\$ 12,694,974</u>	<u>\$ 795,146</u>

Changes in Long-term Debt

	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
Bonds payable	\$ 12,080,000	\$ 5,145,000	\$ 5,020,000	\$ 12,205,000
Postdated warrants	196,668	90,000	18,972	267,696
Capital leases	260,056		37,778	222,278
Totals	<u>\$ 12,536,724</u>	<u>\$ 5,235,000</u>	<u>\$ 5,076,750</u> *	<u>\$ 12,694,974</u>

\*Includes \$4,945,000 early retirement of debt - See Note 6

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2017	\$ 297,874	\$ 389,309	\$ 687,183
2018	415,775	382,411	798,186
2019	418,794	374,069	792,863
2020	431,936	364,937	796,873
2021	419,558	355,411	774,969
2022-2026	1,996,037	1,636,882	3,632,919
2027-2031	2,110,000	1,395,068	3,505,068
2032-2036	2,440,000	1,065,271	3,505,271
2037-2041	2,875,000	606,788	3,481,788
2042-2043	1,290,000	77,800	1,367,800
Totals	<u>\$ 12,694,974</u>	<u>\$ 6,647,946</u>	<u>\$ 19,342,920</u>

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**4: COMMITMENTS (Continued)**

Long-term Debt Issued and Outstanding (Continued)

Capital Lease

Capital assets acquired through capital leases consisted of the following at June 30, 2016:

Class of Property	Cost	Accumulated Depreciation	Net Value
Buses	\$ 390,120	\$ 265,928	\$ 124,192

The present value of the net minimum lease payments is as follows at June 30, 2016:

Total Minimum Lease Payments	\$ 250,657
Less: Amount Representing Interest	<u>28,379</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 222,278</u>

Security for Debt Payments

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

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2016 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 57,593	\$ 6,833	\$ 17,569
Due to grantors	<u>105,426</u>		
Totals	<u>\$ 163,019</u>	<u>\$ 6,833</u>	<u>\$ 17,569</u>

**6: DEBT REFUNDING**

On November 1, 2015, the District issued refunding bonds of \$5,145,000 with interest rates of 1 to 3.15 percent to refund \$4,945,000 of outstanding bonds dated April 1, 2011 with interest rates of 1 to 4.25 percent. Net bond proceeds of \$5,033,665 were remitted to an escrow agent to provide for all future debt service payments for the bonds refunded. These bonds were called on February 1, 2016. The remaining proceeds of \$2,287 (after payment of \$109,048 net bond issuance costs) were utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$409,285 over the life of the bonds.

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**7: INTERFUND TRANSFERS**

The District transferred \$1,733,120 from the general fund to the other aggregate funds to supplement capital projects by \$1,000,000, for debt related payments of \$474,783, and debt refunding savings of \$258,337 required to be used 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 \$894,160, 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 \$7,008,828.

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, 2016 were \$495, equal to the required contributions.

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**8: RETIREMENT PLANS (Continued)**

Arkansas Public Employees Retirement System (Continued)

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2015 (actuarial valuation date and measurement date) was \$3,390.

**9: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$12,795,000 issued from September 1, 2005 to November 1, 2015. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$18,784,602, payable through February 1, 2043. Principal and interest paid for the current year and total property taxes pledged for debt service were \$449,496 and \$1,127,526, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 39.87 percent.

**10: RISK MANAGEMENT**

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

The District carries commercial insurance for board liability, student accidents, and catastrophic crop 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.

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.

**11: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$289,973 for the year ended June 30, 2016.

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Nonspendable:			
Deposit with paying agent			\$ 120,062
Restricted for:			
Educational programs - national school lunch state categorical funding	\$ 125,309		
English-language learners	11,862		
Professional development	11,777		
Capital projects			262,114
Child nutrition programs		\$ 332,422	
Medical services		73,067	
Special education programs	7,834		
Juvenile instruction	100,689		
Early childhood education	130,074		
Other purposes	50,538	19,448	
Total Restricted	<u>438,083</u>	<u>424,937</u>	<u>262,114</u>
Assigned to:			
Capital projects			4,920,481
Student activities	79,790		
Total Assigned	<u>79,790</u>		<u>4,920,481</u>
Unassigned	<u>3,275,888</u>		
Totals	<u>\$3,793,761</u>	<u>\$ 424,937</u>	<u>\$5,302,657</u>

**13: SUBSEQUENT EVENTS**

On November 8, 2016, the District issued refunding bonds of \$6,840,000.

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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	\$ 3,381,035
Construction in progress	17,568
Total nondepreciable capital assets	3,398,603
 <i>Depreciable capital assets:</i>	
Buildings	25,975,838
Improvements/infrastructure	696,118
Equipment	3,517,902
Total depreciable capital assets	30,189,858
 Less accumulated depreciation for:	
Buildings	4,116,974
Improvements/infrastructure	351,782
Equipment	2,387,300
Total accumulated depreciation	6,856,056
Total depreciable capital assets, net	23,333,802
Capital assets, net	\$ 26,732,405

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Direct Program:				
National School Lunch Program (Note 3)	10.555			\$ 999
Passed Through Arkansas Department of Education:				
School Breakfast Program	10.553	4706		163,736
National School Lunch Program	10.555	4706		398,898
Total Arkansas Department of Education				<u>562,634</u>
Passed Through Arkansas Department of Human Services:				
National School Lunch Program (Note 4)	10.555	4706000		<u>38,643</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<u><u>602,276</u></u>
<b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
Fresh Fruit and Vegetable Program	10.582	4706		<u>48,758</u>
<u>U. S. Department of Defense</u>				
Direct Program:				
ROTC (Note 5)	12.AE13001			<u>65,262</u>
<u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title I Grants to Local Educational Agencies	84.010	4706		417,731
Special Education - Grants to States	84.027	4706		431,263
Rural Education	84.358	4706		24,050
Improving Teacher Quality State Grants	84.367	4706		108,012
Total U. S. Department of Education				<u>981,056</u>
<u>U. S. Department of Health and Human Services</u>				
Passed Through Arkansas Department of Human Services:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	4706		<u>15,750</u>
<b>TOTAL OTHER PROGRAMS</b>				<u>1,110,826</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 0</u></u>	<u><u>\$ 1,713,102</u></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 Rivercrest School District No. 57 (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 \$1,589 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

RIVERCREST SCHOOL DISTRICT NO. 57  
 MISSISSIPPI COUNTY, ARKANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

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

FINANCIAL STATEMENTS

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

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

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

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027	Special Education - Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  yes  no



RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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  
NATIONAL SCHOOL LUNCH PROGRAM - CFDA NUMBER 10.555  
PASS-THROUGH NUMBER 4706  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2016

2016-001. Special Tests and Provisions

Criteria or specific requirement: School districts participating in the National School Lunch Program are required to ensure sufficient funds are provided to the school food service account for lunches served to students not eligible for free or reduced price meals either through the prices charged for paid lunches or through other non-federal sources transferred to the program. The Arkansas Department of Education, Child Nutrition (ADE, CNU) provided uniform worksheets to all school districts for paid lunch equity to be calculated and submitted to ADE, CNU.

Condition: An examination of the fiscal year 2016 paid lunch equity calculation, prepared by the District, revealed an error which resulted in the District not implementing a required price increase of \$0.10 for paid lunches.

Context: The calculations pertaining to paid lunch equity prepared by the District and submitted to ADE, CNU were examined.

Effect: The District did not ensure that sufficient funds were provided to the school food service account.

Cause: Lack of internal controls and management oversight resulted in the failure to ensure that sufficient funds were provided to the school food service account.

Recommendation: The District should establish effective internal controls to ensure that paid lunch equity is implemented properly. Additionally, the District should contact the ADE, CNU for resolution of this matter.

Views of responsible officials and planned corrective actions: We as a District will work closely with all stakeholders, to establish effective internal controls to ensure that paid lunches are calculated at the proper amounts. The District will move the proper funds to correct this issue. The District will work with the Department of Education, Child Nutrition Unit for more effective controls of price indexes.

RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

**FINANCIAL STATEMENT FINDINGS**

2015 - Finding 2015-001: Internal Control

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, the same employee was responsible for receiving and depositing monies collected, preparation of payroll and non-payroll checks, maintenance of accounting records, and preparation of bank reconciliations, without compensating controls.

Current Status: Corrective action was taken.

2015 - Finding 2015-002: Misstatements not Detected by Internal Control System

Condition: The District's internal control did not prevent or detect material errors in the financial accounting records. Such records are utilized in the preparation of the District's financial statements. The District recorded the payment of a \$330,413 Qualified Zone Academy Bond twice in the other aggregate funds. The financial statements were corrected by adjusting journal entries during audit fieldwork.

Current Status: Corrective action was taken.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

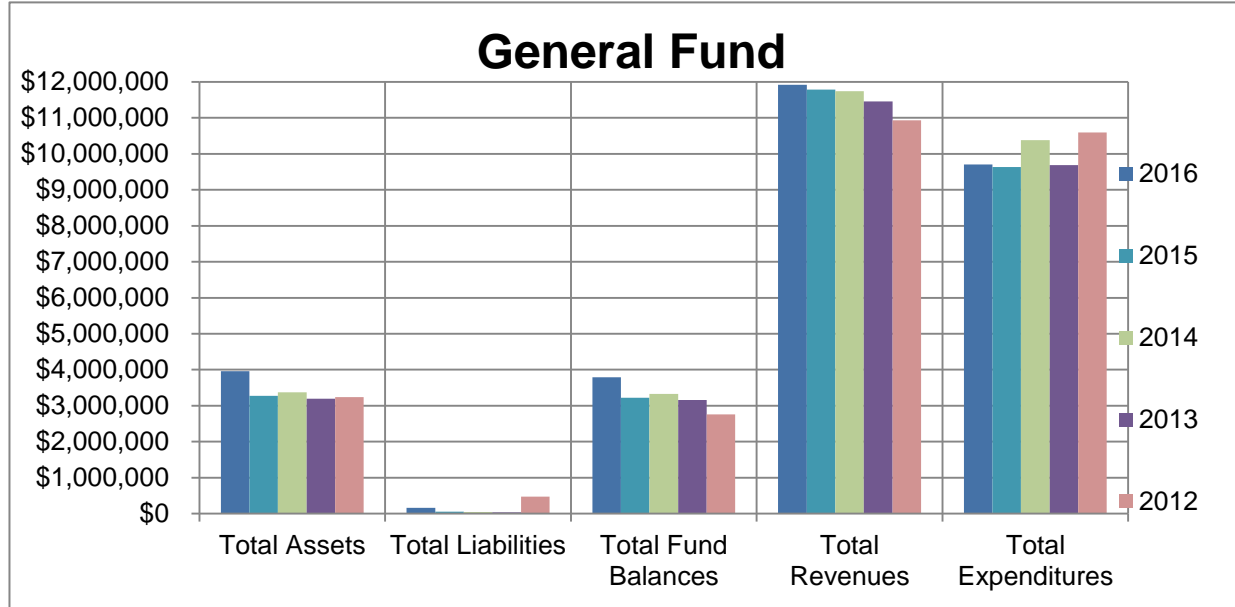
There were no findings in the prior audit.

RIVERCREST SCHOOL DISTRICT NO. 57  
 MISSISSIPPI COUNTY, ARKANSAS

Schedule 5

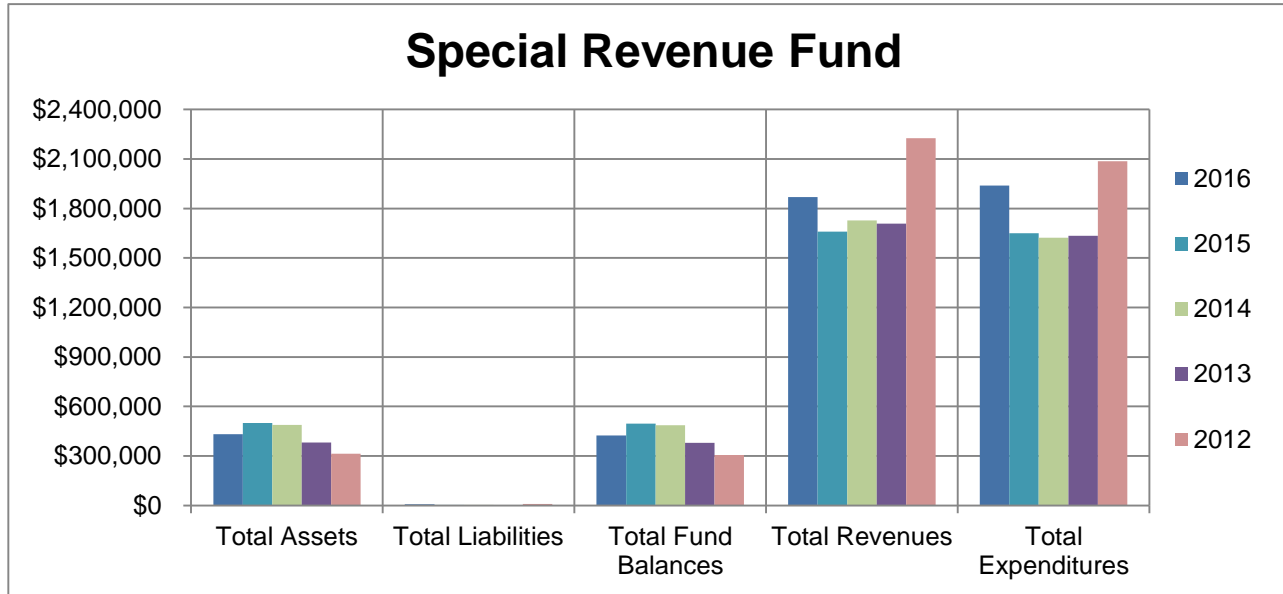
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 3,956,780	\$ 3,273,813	\$ 3,368,662	\$ 3,198,767	\$ 3,236,304
Total Liabilities	163,019	54,035	42,987	41,850	476,415
Total Fund Balances	3,793,761	3,219,778	3,325,675	3,156,917	2,759,889
Total Revenues	11,918,340	11,786,247	11,736,998	11,455,862	10,927,449
Total Expenditures	9,701,237	9,631,794	10,382,735	9,687,806	10,593,323
Total Other Financing Sources (Uses)	(1,643,120)	(2,260,350)	(1,185,505)	(1,371,028)	(192,167)



RIVERCREST SCHOOL DISTRICT NO. 57  
 MISSISSIPPI 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	\$ 431,770	\$ 499,123	\$ 488,752	\$ 381,575	\$ 314,502
Total Liabilities	6,833	3,573	3,280	1,797	8,625
Total Fund Balances	424,937	495,550	485,472	379,778	305,877
Total Revenues	1,869,035	1,659,227	1,727,901	1,707,783	2,225,185
Total Expenditures	1,939,648	1,649,149	1,622,207	1,633,882	2,086,966
Total Other Financing Sources (Uses)					



RIVERCREST SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 5,320,226	\$ 4,062,011	\$ 5,179,123	\$ 8,681,466	\$ 6,905,771
Total Liabilities	17,569				
Total Fund Balances	5,302,657	4,062,011	5,179,123	8,681,466	6,905,771
Total Revenues		461,423	5,708,369	2,684,307	1,000,926
Total Expenditures	494,761	3,888,885	10,611,217	4,062,673	1,217,444
Total Other Financing Sources (Uses)	1,735,407	2,310,350	1,400,505	3,154,061	6,927,395

