

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2014

Exhibit A

|  | Governmental Funds  |                    |                         |
|--|---------------------|--------------------|-------------------------|
|  | Major               |                    |                         |
|  | General             | Special<br>Revenue | Fiduciary<br>Fund Types |
| <b>ASSETS</b>                                  |                     |                    |                         |
| Cash   | \$ 808,338          |                    | \$ 6,356                |
| Investments                                    | 5,324               |                    | 20,169                  |
| Accounts receivable                            | 166,208             | \$ 327,115         |                         |
| Due from other funds                           | 172,298             |                    |                         |
| <b>TOTAL ASSETS</b>                            | <b>\$ 1,152,168</b> | <b>\$ 327,115</b>  | <b>\$ 26,525</b>        |
| <b>LIABILITIES AND FUND BALANCES</b>           |                     |                    |                         |
| <b>Liabilities:</b>                            |                     |                    |                         |
| Accounts payable and accrued liabilities       | \$ 137,862          | \$ 10,598          | \$ 80                   |
| Due student groups                             |                     |                    | 5,691                   |
| Due to other funds                             |                     | 172,107            | 191                     |
| <b>Total Liabilities</b>                       | <b>137,862</b>      | <b>182,705</b>     | <b>5,962</b>            |
| <b>Fund Balances:</b>                          |                     |                    |                         |
| Nonspendable                                   |                     |                    | 20,169                  |
| Restricted                                     | 36,908              | 144,410            | 394                     |
| Assigned                                       | 10,578              |                    |                         |
| Unassigned                                     | 966,820             |                    |                         |
| <b>Total Fund Balances</b>                     | <b>1,014,306</b>    | <b>144,410</b>     | <b>20,563</b>           |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 1,152,168</b> | <b>\$ 327,115</b>  | <b>\$ 26,525</b>        |

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

|   | Major            |                    | Other<br>Aggregate |
|---|------------------|--------------------|--------------------|
|   | General          | Special<br>Revenue |                    |
| <b>REVENUES</b>   |                  |                    |                    |
| Property taxes (including property tax relief trust distribution) | \$ 1,524,137     |                    |                    |
| State assistance  | 2,724,864        | \$ 2,467           | \$ 1,566           |
| Federal assistance  | 65,912           | 1,833,512          |                    |
| Activity revenues   | 50,381           |                    |                    |
| Meal sales  |                  | 50,448             |                    |
| Investment income   | 27               |                    |                    |
| Other revenues  | 223,311          | 28                 |                    |
| <b>TOTAL REVENUES</b>   | <b>4,588,632</b> | <b>1,886,455</b>   | <b>1,566</b>       |
| <b>EXPENDITURES</b>   |                  |                    |                    |
| Regular programs  | 1,947,219        | 21,167             |                    |
| Special education   | 164,678          | 222,055            |                    |
| Career education programs   | 161,618          |                    |                    |
| Compensatory education programs                                   | 4,823            | 377,367            |                    |
| Other instructional programs                                      | 80,136           |                    |                    |
| Student support services  | 244,298          | 5,218              |                    |
| Instructional staff support services                              | 398,092          | 789,340            |                    |
| General administration support services                           | 336,340          | 18,342             |                    |
| School administration support services                            | 239,436          |                    |                    |
| Central services support services                                 | 43,871           | 13,764             |                    |
| Operation and maintenance of plant services                       | 1,128,783        |                    |                    |
| Student transportation services                                   | 165,434          | 27,000             |                    |
| Other support services  | 12,130           |                    |                    |
| Food services operations  | 43,998           | 362,370            |                    |
| Community services operations                                     |                  | 935                |                    |
| Non-programmed costs  |                  | 25,472             |                    |
| Activity expenditures   | 55,942           |                    |                    |
| Debt Service:   |                  |                    |                    |
| Principal retirement  |                  |                    | 50,000             |
| Interest  |                  |                    | 60,500             |
| <b>TOTAL EXPENDITURES</b>   | <b>5,026,798</b> | <b>1,863,030</b>   | <b>110,500</b>     |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>               | <b>(438,166)</b> | <b>23,425</b>      | <b>(108,934)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |                  |                    |                    |
| Transfers in  |                  |                    | 78,684             |
| Transfers out   | (78,684)         |                    |                    |
| Value of capital lease  |                  |                    |                    |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                       | <b>(78,684)</b>  |                    | <b>78,684</b>      |

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

|   | Major        |                    | Other<br>Aggregate |
|---|--------------|--------------------|--------------------|
|   | General      | Special<br>Revenue |                    |
| EXCESS OF REVENUES AND OTHER<br>SOURCES OVER (UNDER) EXPENDITURES<br>AND OTHER USES | (516,850)    | 23,425             | (30,250)           |
| FUND BALANCES - JULY 1  | 1,531,156    | 120,985            | 30,250             |
| FUND BALANCES - JUNE 30   | \$ 1,014,306 | \$ 144,410         | \$ -               |

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

AUGUSTA SCHOOL DISTRICT NO. 10  
 WOODRUFF 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, 2014

|   | General          |                  |                                  | Special Revenue  |                  |                                  | Variance Favorable (Unfavorable) |
|---|------------------|------------------|----------------------------------|------------------|------------------|----------------------------------|----------------------------------|
|   | Budget           | Actual           | Variance Favorable (Unfavorable) | Budget           | Actual           | Variance Favorable (Unfavorable) |                                  |
| <b>REVENUES</b>   |                  |                  |                                  |                  |                  |                                  |                                  |
| Property taxes (including property tax relief trust distribution) | \$ 1,662,200     | \$ 1,524,137     | \$ (138,063)                     | \$ 2,500         | \$ 2,467         | \$ (33)                          |                                  |
| State assistance  | 2,488,685        | 2,724,864        | 236,179                          | 1,690,916        | 1,833,512        | 142,596                          |                                  |
| Federal assistance  |                  | 65,912           | 65,912                           |                  |                  |                                  |                                  |
| Activity revenues   |                  | 50,381           | 50,381                           |                  |                  |                                  |                                  |
| Meal sales  |                  |                  |                                  | 65,100           | 50,448           | (14,652)                         |                                  |
| Investment income   |                  | 27               | 27                               |                  |                  |                                  |                                  |
| Other revenues  | 255,260          | 223,311          | (31,949)                         |                  | 28               | 28                               |                                  |
| <b>TOTAL REVENUES</b>   | <b>4,406,145</b> | <b>4,588,632</b> | <b>182,487</b>                   | <b>1,758,516</b> | <b>1,886,455</b> | <b>127,939</b>                   |                                  |
| <b>EXPENDITURES</b>   |                  |                  |                                  |                  |                  |                                  |                                  |
| Regular programs  | 1,974,603        | 1,947,219        | 27,384                           |                  | 21,167           | (21,167)                         |                                  |
| Special education   | 158,448          | 164,678          | (6,230)                          | 151,001          | 222,055          | (71,054)                         |                                  |
| Career education programs   | 163,512          | 161,618          | 1,894                            |                  |                  |                                  |                                  |
| Compensatory education programs                                   | 5,432            | 4,823            | 609                              | 458,436          | 377,367          | 81,069                           |                                  |
| Other instructional programs                                      | 64,682           | 80,136           | (15,454)                         |                  |                  |                                  |                                  |
| Student support services  | 256,976          | 244,298          | 12,678                           | 1,500            | 5,218            | (3,718)                          |                                  |
| Instructional staff support services                              | 391,093          | 398,092          | (6,999)                          | 575,102          | 789,340          | (214,238)                        |                                  |
| General administration support services                           | 340,569          | 336,340          | 4,229                            | 15,953           | 18,342           | (2,389)                          |                                  |
| School administration support services                            | 239,466          | 239,436          | 30                               |                  |                  |                                  |                                  |
| Central services support services                                 | 48,839           | 43,871           | 4,968                            | 13,800           | 13,764           | 36                               |                                  |
| Operation and maintenance of plant services                       | 1,185,109        | 1,128,783        | 56,326                           |                  |                  |                                  |                                  |
| Student transportation services                                   | 201,535          | 165,434          | 36,101                           | 27,000           | 27,000           |                                  |                                  |
| Other support services  | 20,000           | 12,130           | 7,870                            |                  |                  |                                  |                                  |
| Food services operations  | 48,000           | 43,998           | 4,002                            | 373,125          | 362,370          | 10,755                           |                                  |
| Community services operations                                     |                  |                  |                                  | 4,724            | 935              | 3,789                            |                                  |
| Non-programmed costs  |                  |                  |                                  | 25,000           | 25,472           | (472)                            |                                  |
| Activity expenditures   |                  | 55,942           | (55,942)                         |                  |                  |                                  |                                  |

AUGUSTA SCHOOL DISTRICT NO. 10  
 WOODRUFF 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, 2014

|   | General     |              | Variance<br>Favorable<br>(Unfavorable) | Special Revenue |            | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------|--------------|--|-----------------|------------|--|
|   | Budget      | Actual       |  | Budget          | Actual     |  |
| TOTAL EXPENDITURES  | 5,098,264   | 5,026,798    | 71,466                                 | 1,645,641       | 1,863,030  | (217,389)                              |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES                                     | (692,119)   | (438,166)    | 253,953                                | 112,875         | 23,425     | (89,450)                               |
| OTHER FINANCING SOURCES (USES)<br>Transfers in                                      | 5,711,025   | (78,684)     | (5,711,025)                            | 72,356          |            | (72,356)                               |
| Transfers out   | (5,795,459) |              | 5,716,775                              | (72,356)        |            | 72,356                                 |
| TOTAL OTHER FINANCING SOURCES (USES)  | (84,434)    | (78,684)     | 5,750                                  | -               |            | -                                      |
| EXCESS OF REVENUES AND OTHER<br>SOURCES OVER (UNDER) EXPENDITURES<br>AND OTHER USES | (776,553)   | (516,850)    | 259,703                                | 112,875         | 23,425     | (89,450)                               |
| FUND BALANCES - JULY 1  | 1,472,792   | 1,531,156    | 58,364                                 | 112,435         | 120,985    | 8,550                                  |
| FUND BALANCES - JUNE 30   | \$ 696,239  | \$ 1,014,306 | \$ 318,067                             | \$ 225,310      | \$ 144,410 | \$ (80,900)                            |

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 Augusta 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:

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.

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, specific procedures for the identification of major governmental funds,

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and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District maintains a threshold level of \$1,500 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 |
|-------------|--------------------------------|
| Buildings   | 20-50                          |
| 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 2013 calendar year taxes collected by June 30, 2014 and 28 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, 2014 equaled or exceeded the 28 percent calculation.

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

G. Interfund Receivables and Payables

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WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

H. 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.

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.

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.



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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 an expenditure is 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<br>Amount | Bank<br>Balance |
|--|--------------------|-----------------|
| Insured (FDIC)   | \$ 275,887         | \$ 275,887      |
| Collateralized:  |                    |                 |
| Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name | 564,300            | 1,026,683       |
| Total Deposits   | \$ 840,187         | \$ 1,302,570    |

The above total deposits include certificates of deposit of \$25,493 reported as investments and classified as nonparticipating contracts.

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 were comprised of the following:

| Description        | Governmental Funds |                    |
|--------------------|--------------------|--------------------|
|                    | Major              |                    |
|                    | General            | Special<br>Revenue |
| State assistance   | \$ 127,842         |                    |
| Federal assistance |                    | \$ 326,668         |
| Meal sales         |                    | 447                |
| Other              | 38,366             |                    |
| Totals             | \$ 166,208         | \$ 327,115         |

AUGUSTA SCHOOL DISTRICT NO. 10  
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**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2014:

Long-term Debt Issued and Outstanding

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

| Date<br>of Issue | Date of Final<br>Maturity | Rate of<br>Interest | Amount<br>Authorized<br>and Issued | Debt<br>Outstanding<br>June 30, 2014 | Maturities<br>To<br>June 30, 2014 |
|------------------|---------------------------|---------------------|------------------------------------|--------------------------------------|-----------------------------------|
| 5/1/12           | 2/1/42                    | 1-3.55%             | \$ 2,205,000                       | \$ 2,085,000                         | \$ 120,000                        |

Changes in Long-term Debt

|               | Balance<br>July 1, 2013 | Issued | Retired   | Balance<br>June 30, 2014 |
|---------------|-------------------------|--------|-----------|--------------------------|
| Bonds payable | \$ 2,135,000            | \$ -   | \$ 50,000 | \$ 2,085,000             |

Future Principal and Interest Payments

| Year Ended<br>June 30, | Principal    | Interest     | Total        |
|------------------------|--------------|--------------|--------------|
| 2015                   | \$ 50,000    | \$ 60,000    | \$ 110,000   |
| 2016                   | 55,000       | 59,500       | 114,500      |
| 2017                   | 55,000       | 58,868       | 113,868      |
| 2018                   | 55,000       | 58,235       | 113,235      |
| 2019                   | 55,000       | 57,135       | 112,135      |
| 2020-2024              | 295,000      | 267,675      | 562,675      |
| 2025-2029              | 335,000      | 229,663      | 564,663      |
| 2030-2034              | 395,000      | 176,294      | 571,294      |
| 2035-2039              | 465,000      | 107,352      | 572,352      |
| 2040-2042              | 325,000      | 23,252       | 348,252      |
| Totals                 | \$ 2,085,000 | \$ 1,097,974 | \$ 3,182,974 |

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2014 were comprised of the following:

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| Description                          | Governmental Funds |                    | Fiduciary<br>Fund<br>Types |
|--------------------------------------|--------------------|--------------------|----------------------------|
|                                      | General            | Special<br>Revenue |                            |
| Vendor payables                      | \$ 52,044          | \$ 10,598          | \$ 80                      |
| Payroll withholdings<br>and matching | 85,818             |                    |                            |
| <b>Totals</b>                        | <b>\$ 137,862</b>  | <b>\$ 10,598</b>   | <b>\$ 80</b>               |

**6: INTERFUND TRANSFERS**

The District transferred \$78,684 from the general fund to other aggregate funds for debt related payments.

**7: RETIREMENT PLAN**

Arkansas Teacher Retirement System

**Plan Description.** The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, 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 maximum allowed by State law. The District's contributions to ATRS for the years ended June 30, 2014, 2013, and 2012 were \$514,740, \$549,604, and \$532,386, respectively, equal to the required contributions for each year.

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

ADDITIONS

|          |        |
|----------|--------|
| Interest | \$ 104 |
|----------|--------|

|                        |     |
|------------------------|-----|
| CHANGE IN FUND BALANCE | 104 |
|------------------------|-----|

|                       |        |
|-----------------------|--------|
| FUND BALANCE - JULY 1 | 20,459 |
|-----------------------|--------|

|                        |           |
|------------------------|-----------|
| FUND BALANCE - JUNE 30 | \$ 20,563 |
|------------------------|-----------|

**9: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$2,205,000 issued on May 1, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is

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\$3,182,974, payable through February 1, 2042. Principal and interest paid for the current year and total property taxes pledged for debt service were \$110,500 and \$351,724, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 31.42 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 accident, and business trip accidental death and dismemberment coverage. Settled claims have not exceeded this commercial 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.

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

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

**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 \$96,681 for the year ended June 30, 2014.

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

| Description                 | Governmental Funds |                    |
|-----------------------------|--------------------|--------------------|
|                             | Major              |                    |
|                             | General            | Special<br>Revenue |
| Fund Balances:              |                    |                    |
| Restricted for:             |                    |                    |
| Educational programs -      |                    |                    |
| national school lunch state |                    |                    |
| categorical funding         | \$ 15,959          |                    |
| English-language learners   | 269                |                    |
| Professional development    | 1,533              |                    |
| Child nutrition programs    |                    | \$ 128,668         |
| Medical services            |                    | 10,616             |
| Special education programs  | 13,068             |                    |
| Other purposes              | 6,079              | 5,126              |
| Total Restricted            | <u>36,908</u>      | <u>144,410</u>     |
| Assigned to:                |                    |                    |
| Student activities          | <u>10,578</u>      |                    |
| Unassigned                  | <u>966,820</u>     |                    |
| Totals                      | <u>\$1,014,306</u> | <u>\$ 144,410</u>  |

**13: MAGUIRE SCHOLARSHIP FUND**

On February 3, 2002, the District received \$11,719 to endow the Maguire Scholarship Fund. The agreement stipulated interest earnings not utilized to fund scholarships would be added to the endowed amount each year. The endowment balance is maintained as cash and a certificate of deposit.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Unaudited)

Schedule 1

|                                       | Balance<br>June 30, 2014 |
|---------------------------------------|--------------------------|
| <i>Nondepreciable capital assets:</i> |                          |
| Land                                  | \$ 141,180               |
| <i>Depreciable capital assets:</i>    |                          |
| Buildings                             | 6,534,834                |
| Equipment                             | 986,296                  |
| Total depreciable capital assets      | 7,521,130                |
| Less accumulated depreciation for:    |                          |
| Buildings                             | 3,918,061                |
| Equipment                             | 764,350                  |
| Total accumulated depreciation        | 4,682,411                |
| Total depreciable capital assets, net | 2,838,719                |
| Capital assets, net                   | \$ 2,979,899             |

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 2

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title                    | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures    |
|---|---------------------------|--|----------------------------|
| <b>CHILD NUTRITION CLUSTER</b>  |                           |  |                            |
| <u>U. S. Department of Agriculture</u>  |                           |  |                            |
| Passed Through State Department of Education:                                       |                           |  |                            |
| School Breakfast Program - Cash Assistance  | 10.553                    | 74-01-000                                    | \$ 100,679                 |
| National School Lunch Program - Cash Assistance                                     | 10.555                    | 74-01-000                                    | 196,945                    |
| Total State Department of Education   |                           |  | <u>297,624</u>             |
| Passed Through State Department of Human Services:                                  |                           |  |                            |
| National School Lunch Program - Non-Cash Assistance<br>(Food Distribution) (Note 3) | 10.555                    | 7401000                                      | <u>25,620</u>              |
| <b>TOTAL CHILD NUTRITION CLUSTER</b>  |                           |  | <u><u>323,244</u></u>      |
| <u>U. S. Department of Education</u>  |                           |  |                            |
| Direct Programs:  |                           |  |                            |
| Teacher Incentive Fund  | 84.374                    |  | <u>622,504</u>             |
| Passed Through State Department of Education:                                       |                           |  |                            |
| Title I Grants to Local Educational Agencies  | 84.010                    | 74-01  | 574,042                    |
| Special Education - Grants to States  | 84.027                    | 7401   | 164,806                    |
| Improving Teacher Quality State Grants  | 84.367                    | 7401   | 74,331                     |
| Total State Department of Education   |                           |  | <u>813,179</u>             |
| Total U. S. Department of Education   |                           |  | <u>1,435,683</u>           |
| <u>U. S. Department of Health and Human Services</u>                                |                           |  |                            |
| Passed Through State Department of Education:                                       |                           |  |                            |
| Temporary Assistance for Needy Families   | 93.558                    | 0000200018                                   | <u>20,941</u>              |
| <b>TOTAL OTHER PROGRAMS</b>   |                           |  | <u>1,456,624</u>           |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>   |                           |  | <u><u>\$ 1,779,868</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 Augusta School District No. 10 (District) under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 4: During the year ended June 30, 2014, the District received Medicaid funding of \$49,211 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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 Section 510(a) of OMB Circular A-133?  yes  no

Identification of major federal programs:

|                                 |   |
|---------------------------------|---|
| <u>CFDA Number(s)</u><br>84.010 | <u>Name of Federal Program or Cluster</u><br>Title I Grants to Local Educational Agencies |
|---------------------------------|---|

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

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

No matters were reported.



AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 4

There were no findings in the prior audit.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Unaudited)

|                                      | Year Ended June 30, |              |              |            |            |
|--------------------------------------|---------------------|--------------|--------------|------------|------------|
|                                      | 2014                | 2013         | 2012         | 2011       | 2010       |
| <b>General Fund</b>                  |                     |              |              |            |            |
| Total Assets                         | \$ 1,152,168        | \$ 1,551,656 | \$ 1,327,496 | \$ 608,560 | \$ 628,345 |
| Total Liabilities                    | 137,862             | 20,500       | 18,542       | 15,092     | 8,924      |
| Total Fund Balances                  | 1,014,306           | 1,531,156    | 1,308,954    | 593,468    | 619,421    |
| Total Revenues                       | 4,588,632           | 4,640,468    | 4,804,550    | 4,515,494  | 4,653,485  |
| Total Expenditures                   | 5,026,798           | 4,899,984    | 4,725,210    | 4,362,070  | 4,537,300  |
| Total Other Financing Sources (Uses) | (78,684)            | 481,718      | 636,146      | (179,377)  | (118,920)  |
| <b>Special Revenue Fund</b>          |                     |              |              |            |            |
| Total Assets                         | 327,115             | 270,106      | 382,693      | 197,132    | 215,628    |
| Total Liabilities                    | 182,705             | 149,121      | 254,678      | 9,973      | 1,630      |
| Total Fund Balances                  | 144,410             | 120,985      | 128,015      | 187,159    | 213,998    |
| Total Revenues                       | 1,886,455           | 2,272,221    | 1,912,064    | 2,601,447  | 2,346,288  |
| Total Expenditures                   | 1,863,030           | 2,279,251    | 1,970,391    | 2,628,286  | 2,346,122  |
| Total Other Financing Sources (Uses) |                     |              | (817)        | 2,765      |            |
| <b>Other Aggregate Funds</b>         |                     |              |              |            |            |
| Total Assets                         |                     | 30,250       | 15,300       | 236        |            |
| Total Liabilities                    |                     |              |              | 236        |            |
| Total Fund Balances                  |                     | 30,250       | 15,300       |            |            |
| Total Revenues                       | 1,566               | 4,515        | 11,056       | 51,525     | 13,172     |
| Total Expenditures                   | 110,500             | 116,342      | 188,323      | 228,138    | 185,892    |
| Total Other Financing Sources (Uses) | 78,684              | 126,777      | 192,567      | 176,612    | 172,720    |