

Berryville School District No. 27

Carroll County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2018



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CARROLL COUNTY, ARKANSAS
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Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
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Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Berryville School District No. 27 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 Berryville School District No. 27 (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinions on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
January 15, 2019
EDSD03718

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Berryville School District No. 27 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 Berryville School District No. 27 (the "District"), as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 15, 2019. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 15, 2019

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

Berryville School District No. 27 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Berryville School District No. 27 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

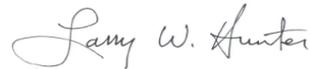
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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
January 15, 2019

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2018

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 3,275,952		\$ 15,032,796	\$ 57,390
Investments				11,291
Accounts receivable		\$ 265,264		
Due from other funds	58,277			
TOTAL ASSETS	\$ 3,334,229	\$ 265,264	\$ 15,032,796	\$ 68,681
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 91,357	\$ 6,528	\$ 1,259,757	\$ 3,746
Due student groups				51,923
Due to other funds		58,277		
Total Liabilities	91,357	64,805	1,259,757	55,669
Fund Balances:				
Restricted	130,591	200,459	9,657,774	13,012
Committed			4,049,485	
Assigned	174,489		65,780	
Unassigned	2,937,792			
Total Fund Balances	3,242,872	200,459	13,773,039	13,012
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,334,229	\$ 265,264	\$ 15,032,796	\$ 68,681

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

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 6,156,630		
State assistance	10,885,400	\$ 7,886	\$ 260,767
Federal assistance	9,391	2,414,930	
Activity revenues	400,445		
Meal sales		182,263	
Investment income	63,066		74,160
Other revenues	35,962	1,555	5,000
TOTAL REVENUES	17,550,894	2,606,634	339,927
EXPENDITURES			
Regular programs	6,104,038		
Special education	1,065,266	22,426	
Career education programs	431,191	25,503	
Compensatory education programs	405,490	289,109	
Other instructional programs	1,348,215	42,128	
Student support services	708,793	453,997	
Instructional staff support services	849,723	502,321	
General administration support services	258,054	49,119	
School administration support services	558,901		
Central services support services	413,291		
Operation and maintenance of plant services	1,937,474	40,517	
Student transportation services	884,764	33,511	
Other support services	31,773		
Food services operations		1,157,219	
Community services operations		4,009	
Facilities acquisition and construction services	11,304		4,121,879
Activity expenditures	406,235		
Debt Service:			
Principal retirement			375,000
Interest and fiscal charges			357,833
Net debt issuance costs			316,113
TOTAL EXPENDITURES	15,414,512	2,619,859	5,170,825
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,136,382	(13,225)	(4,830,898)
OTHER FINANCING SOURCES (USES)			
Transfers in			2,277,279
Transfers out	(2,277,279)		
Proceeds from construction bond issues			13,835,000
Refund to grantor		(1,660)	
Value of capital lease	4,133		
TOTAL OTHER FINANCING SOURCES (USES)	(2,273,146)	(1,660)	16,112,279

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	Major		
	General	Special Revenue	Other Aggregate
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (136,764)	\$ (14,885)	\$ 11,281,381
FUND BALANCES - JULY 1	3,379,636	215,344	2,491,658
FUND BALANCES - JUNE 30	\$ 3,242,872	\$ 200,459	\$ 13,773,039

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

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 5,674,347	\$ 6,156,630	\$ 482,283			
State assistance	10,828,492	10,885,400	56,908	\$ 8,000	\$ 7,886	\$ (114)
Federal assistance		9,391	9,391	2,456,048	2,414,930	(41,118)
Activity revenues		400,445	400,445			
Meal sales				175,000	182,263	7,263
Investment income	51,500	63,066	11,566			
Other revenues		35,962	35,962		1,555	1,555
TOTAL REVENUES	16,554,339	17,550,894	996,555	2,639,048	2,606,634	(32,414)
EXPENDITURES						
Regular programs	6,099,123	6,104,038	(4,915)			
Special education	1,174,098	1,065,266	108,832	32,235	22,426	9,809
Career education programs	408,052	431,191	(23,139)	41,904	25,503	16,401
Compensatory education programs	409,626	405,490	4,136	331,873	289,109	42,764
Other instructional programs	1,352,499	1,348,215	4,284	54,127	42,128	11,999
Student support services	711,681	708,793	2,888	478,519	453,997	24,522
Instructional staff support services	868,552	849,723	18,829	576,216	502,321	73,895
General administration support services	272,076	258,054	14,022	49,143	49,119	24
School administration support services	559,226	558,901	325			
Central services support services	382,009	413,291	(31,282)			
Operation and maintenance of plant services	1,748,538	1,937,474	(188,936)	43,316	40,517	2,799
Student transportation services	931,204	884,764	46,440	34,128	33,511	617
Other support services	30,000	31,773	(1,773)			
Food services operations				1,137,063	1,157,219	(20,156)
Community services operations				6,000	4,009	1,991
Facilities acquisition and construction services	10,100	11,304	(1,204)			
Activity expenditures		406,235	(406,235)			
TOTAL EXPENDITURES	14,956,784	15,414,512	(457,728)	2,784,524	2,619,859	164,665
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,597,555	2,136,382	538,827	(145,476)	(13,225)	132,251

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 20,576,714		\$ (20,576,714)	\$ 13,303		\$ (13,303)
Transfers out	(22,059,421)	\$ (2,277,279)	19,782,142	(13,303)		13,303
Refund to grantor					\$ (1,660)	(1,660)
Value of capital lease		4,133	4,133			
TOTAL OTHER FINANCING SOURCES (USES)	(1,482,707)	(2,273,146)	(790,439)	0	(1,660)	(1,660)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	114,848	(136,764)	(251,612)	(145,476)	(14,885)	130,591
FUND BALANCES - JULY 1	3,446,048	3,379,636	(66,412)	215,465	215,344	(121)
FUND BALANCES - JUNE 30	\$ 3,560,896	\$ 3,242,872	\$ (318,024)	\$ 69,989	\$ 200,459	\$ 130,470

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

BERRYVILLE SCHOOL DISTRICT NO. 27
CARROLL COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

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

B. Description of Funds

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

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

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

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

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

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

Fiduciary Fund types include the following:

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

Private-purpose Trust Funds – Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

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

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	5-30
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 2017 calendar year taxes collected by June 30, 2018 and 12 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2018 equaled or exceeded the 12 percent calculation.

BERRYVILLE SCHOOL DISTRICT NO. 27
CARROLL COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

F. Property Taxes (Continued)

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

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

1. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Committed fund balance – represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Education.
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.

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Stabilization Arrangements

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

K. Minimum Fund Balance Policies

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

L. Fund Balance Classification Policies and Procedures

The District's highest level of decision-making authority is its Board of Education. The establishment of amounts classified as committed fund balances and subsequent modifications to such balances are the result of formal action taken by the District's Board of Education through a resolution or adoption of board policy.

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

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

M. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 330,151	\$ 330,151
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	18,047,278	18,524,904
Total Deposits	\$ 18,377,429	\$ 18,855,055

The above total deposits include certificates of deposit of \$11,291 reported as investments and classified as nonparticipating contracts.

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

3: ACCOUNTS RECEIVABLE

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

Description	Governmental Fund Major Special Revenue
Federal assistance	\$ 265,264

4: COMMITMENTS

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
Athletic complex	October 31, 2018	\$ 3,381,438

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

General description of lease and leasing arrangements:

On January 10, 2015, the District executed a non-cancellable lease agreement for 47 copiers with Professional Business Systems. The original terms of the lease were 60 months with lease payments of \$11,502 per month plus sales and property tax, with an annual evaluation not to exceed a 5% adjustment. Numerous amendments to the contract have been made, either to change the number of allowed copies, change to equipment in use, or to make an annual evaluation adjustment. The base lease payment at June 30, 2018 had increased to \$13,900 per month plus applicable sales and property taxes.

1. Future minimum rental payments (aggregate) at June 30, 2018: \$250,202
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2019	\$ 166,801
2020	83,401
Total	\$ 250,202

Rental payments for the operating lease described above were approximately \$182,812 for the year ended June 30, 2018.

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

4: COMMITMENTS (Continued)

C. Long-term Debt Issued and Outstanding

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2018</u>	<u>Maturities To June 30, 2018</u>
2/1/12	2/1/36	1.125 - 3.5%	\$ 10,000,000	\$ 9,750,000	\$ 250,000
11/1/17	2/1/47	2.0 - 3.5%	9,900,000	9,900,000	
3/1/18	2/1/47	2.5 - 3.5%	3,935,000	3,935,000	
12/1/11	2/1/36	1.5 - 3.625%	3,405,000	3,105,000	300,000
11/1/17	11/1/19	18.76%	4,133	4,133	
Totals			<u>\$ 27,244,133</u>	<u>\$ 26,694,133</u>	<u>\$ 550,000</u>

Changes in Long-term Debt

	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
Bonds payable	\$ 13,230,000	\$ 13,835,000	\$ 375,000	\$ 26,690,000
Capital leases		4,133		4,133
Totals	<u>\$ 13,230,000</u>	<u>\$ 13,839,133</u>	<u>\$ 375,000</u>	<u>\$ 26,694,133</u>

Future Principal and Interest Payments

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 576,889	\$ 888,732	\$ 1,465,621
2020	672,244	808,057	1,480,301
2021	685,000	795,736	1,480,736
2022	695,000	782,730	1,477,730
2023	710,000	768,780	1,478,780
2024-2028	3,795,000	3,596,593	7,391,593
2029-2033	4,330,000	3,049,510	7,379,510
2034-2038	4,865,000	2,286,663	7,151,663
2039-2043	5,360,000	1,439,968	6,799,968
2044-2047	5,005,000	445,725	5,450,725
Totals	<u>\$ 26,694,133</u>	<u>\$ 14,862,494</u>	<u>\$ 41,556,627</u>

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

4: COMMITMENTS (Continued)

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

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2018:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Band equipment	<u>\$ 6,798</u>	<u>\$ 453</u>	<u>\$ 6,345</u>

The present value of the net minimum lease payments is as follows at June 30, 2018:

Total Minimum Lease Payments	\$ 5,329
Less: Amount Representing Interest	<u>1,196</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 4,133</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

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

<u>Description</u>	<u>Governmental Funds</u>			<u>Fiduciary Fund Types</u>
	<u>Major</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Other Aggregate</u>	
Vendor payables	<u>\$ 91,357</u>	<u>\$ 6,528</u>	<u>\$ 1,259,757</u>	<u>\$ 3,746</u>

6: INTERFUND TRANSFERS

The District transferred \$2,277,279 from the general fund to the other aggregate funds for debt related payments of \$732,833 and future capital projects of \$1,544,446.

BERRYVILLE SCHOOL DISTRICT NO. 27
CARROLL COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2018 were \$1,489,169, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$15,047,961.

Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2018 were \$1,390, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$13,788.

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 3,300
Interest	<u>121</u>
TOTAL ADDITIONS	<u>3,421</u>
DEDUCTIONS	
Scholarships	<u>4,750</u>
CHANGE IN FUND BALANCE	(1,329)
FUND BALANCE - JULY 1	<u>14,341</u>
FUND BALANCE - JUNE 30	<u>\$ 13,012</u>

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$27,240,000 issued from December 1, 2011 to March 1, 2018. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$41,551,298, payable through February 1, 2047. Principal and interest paid for the current year and total property taxes pledged for debt service were \$731,708 and \$2,535,083, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 28.86 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 Districts carries commercial insurance for board liability and student accidents.

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

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.

The District participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program’s general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

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.

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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 \$352,360 for the year ended June 30, 2018.

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Professional development	\$ 3,059		
Capital projects			\$ 9,657,774
Child nutrition programs		\$ 150,148	
Medical services		40,891	
Special education programs	115,399		
Other purposes	12,133	9,420	
Total Restricted	<u>130,591</u>	<u>200,459</u>	<u>9,657,774</u>
Committed to:			
Capital projects			<u>4,049,485</u>
Assigned to:			
Capital projects			65,780
Student activities	174,489		
Total Assigned	<u>174,489</u>		<u>65,780</u>
Unassigned	<u>2,937,792</u>		
Totals	<u>\$3,242,872</u>	<u>\$ 200,459</u>	<u>\$ 13,773,039</u>

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

Schedule 1

	Balance June 30, 2018
<i>Nondepreciable capital assets:</i>	
Land	\$ 520,244
Construction in progress	4,097,880
Total nondepreciable capital assets	4,618,124
 <i>Depreciable capital assets:</i>	
Buildings	25,955,772
Improvements/infrastructure	1,002,237
Equipment	5,474,650
Total depreciable capital assets	32,432,659
 Less accumulated depreciation for:	
Buildings	9,015,013
Improvements/infrastructure	490,629
Equipment	3,835,666
Total accumulated depreciation	13,341,308
Total depreciable capital assets, net	19,091,351
Capital assets, net	\$ 23,709,475

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	0801		\$ 234,019
National School Lunch Program (Note 3)	10.555			23,585
Arkansas Department of Education - National School Lunch Program	10.555	0801		621,262
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	0801000		60,152
Total for National School Lunch Program				<u>704,999</u>
Total U. S. Department of Agriculture				<u>939,018</u>
TOTAL CHILD NUTRITION CLUSTER				<u>939,018</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	0801		385,488
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>385,488</u>
OTHER PROGRAMS				
<u>U.S. Department of Transportation</u>				
Arkansas Department of Transportation - Highway Planning and Construction	20.205	0801		40,517
Total U. S. Department of Transportation				<u>40,517</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	0801		691,292
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048	0801		23,267
Arkansas Department of Education - Rural Education	84.358	0801		35,391
Arkansas Department of Education - English Language Acquisition State Grants	84.365	0801		36,728
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	0801		65,959
Total U. S. Department of Education				<u>852,637</u>
<u>U. S. Department of Health and Human Services</u>				
Arkansas Department of Education - Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	0801		4,000
Total U. S. Department of Health and Human Services				<u>4,000</u>
TOTAL OTHER PROGRAMS				<u>897,154</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 2,221,660</u>

The accompanying notes are an integral part of this schedule.

BERRYVILLE SCHOOL DISTRICT NO. 27
CARROLL COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Berryville School District No. 27 (District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 6: During the year ended June 30, 2018, the District received Medicaid funding of \$133,758 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

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

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.

Berryville Public Schools

902 W. Trimble
Berryville, AR 72616

Owen Powell, Superintendent

Phone: 870-480-4669

Fax: 870-480-6824

Schedule 4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

2017 – Finding 2017-001: 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 responsible for the maintenance of accounting records. Specifically, certain key weaknesses included the following: payroll checks were prepared by the same employee responsible for changes to payroll amounts, without compensating controls.

Current Status: Corrective action was taken.

2016 – Finding 2016-001: 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 responsible for the maintenance of accounting records. Specifically, certain key weaknesses included the following: payroll checks were prepared by the same employee responsible for changes to the payroll amounts, without compensating controls. The same employee was responsible for receiving and depositing the monies collected, preparation of payroll and non-payroll checks, and maintenance of accounting records without compensating controls.

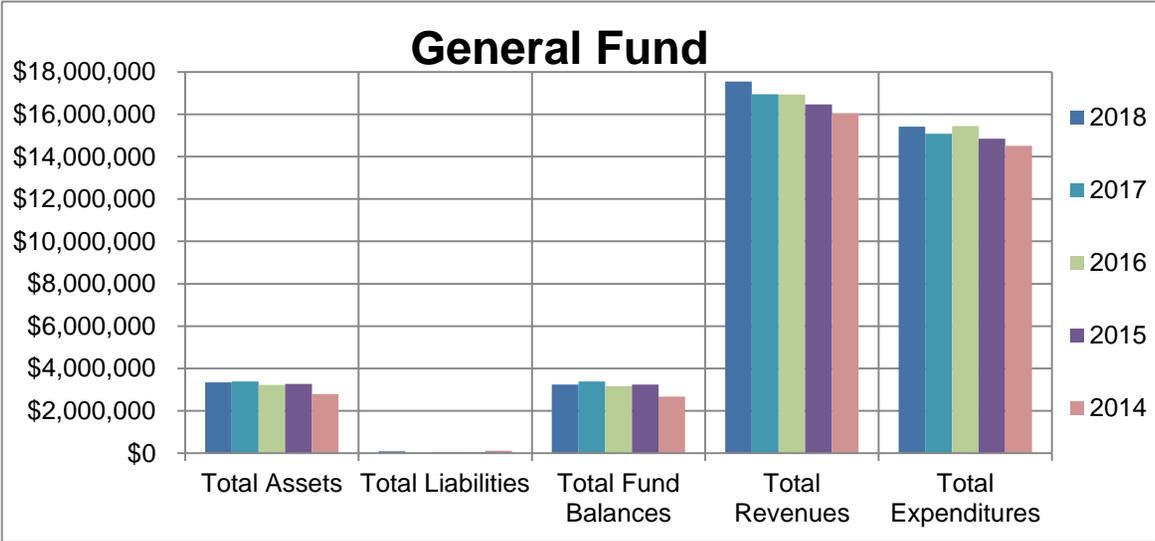
Current Status: Corrective action was taken.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

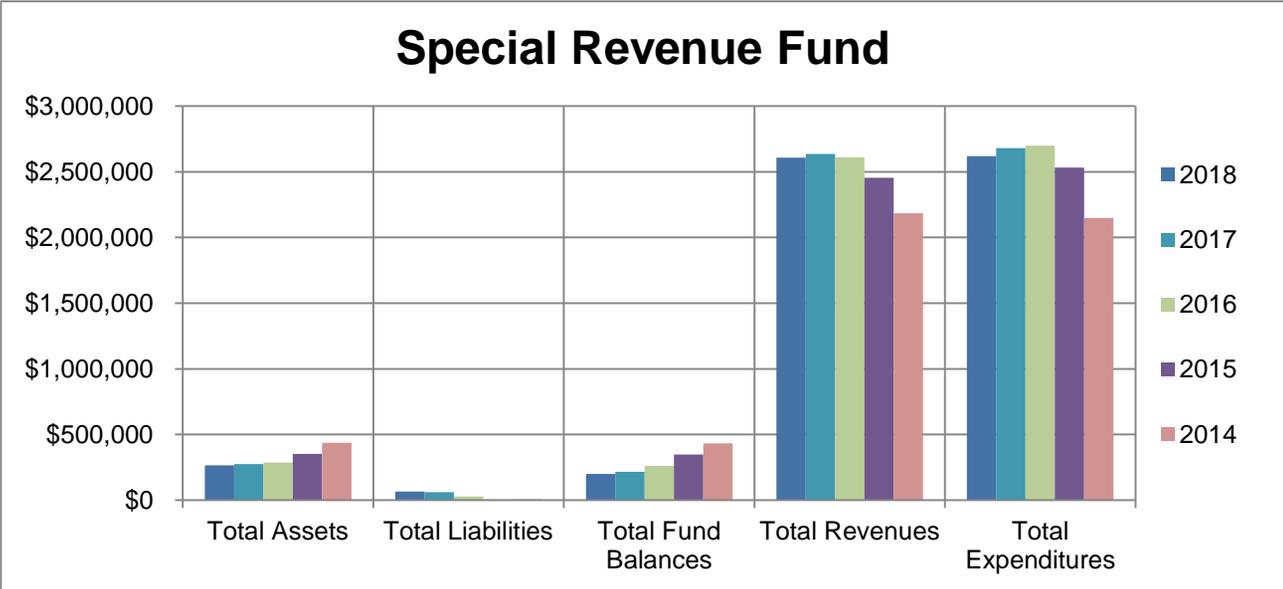
BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 3,334,229	\$ 3,384,182	\$ 3,226,543	\$ 3,266,971	\$ 2,792,824
Total Liabilities	91,357	4,546	54,184	33,846	116,885
Total Fund Balances	3,242,872	3,379,636	3,172,359	3,233,125	2,675,939
Total Revenues	17,550,894	16,954,085	16,931,984	16,469,861	16,052,390
Total Expenditures	15,414,512	15,077,386	15,445,708	14,852,136	14,512,753
Total Other Financing Sources (Uses)	(2,273,146)	(1,669,422)	(1,547,042)	(1,060,539)	(1,934,601)



BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 265,264	\$ 275,420	\$ 286,751	\$ 351,699	\$ 437,931
Total Liabilities	64,805	60,076	27,360	4,789	6,750
Total Fund Balances	200,459	215,344	259,391	346,910	431,181
Total Revenues	2,606,634	2,635,369	2,610,549	2,455,438	2,184,899
Total Expenditures	2,619,859	2,679,416	2,698,068	2,532,470	2,149,066
Total Other Financing Sources (Uses)	(1,660)			(7,239)	



BERRYVILLE SCHOOL DISTRICT NO. 27
 CARROLL COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 15,032,796	\$ 2,491,658	\$ 1,343,684	\$ 1,103,902	\$ 932,363
Total Liabilities	1,259,757				30,000
Total Fund Balances	13,773,039	2,491,658	1,343,684	1,103,902	902,363
Total Revenues	339,927				
Total Expenditures	5,170,825	521,448	1,307,260	859,000	1,033,466
Total Other Financing Sources (Uses)	16,112,279	1,669,422	1,547,042	1,060,539	1,934,601

