

**Southside School District No. 3**  
**Independence County, Arkansas**  
**Regulatory Basis Financial Statements**  
**and Other Reports**  
**June 30, 2016**

LEGISLATIVE JOINT AUDITING COMMITTEE



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INDEPENDENCE COUNTY, ARKANSAS  
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JUNE 30, 2016

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# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Southside School District No. 3 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 Southside School District No. 3 (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

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

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

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

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2016, or the changes in financial position for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2016, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

**Other Matters**

*Supplementary and Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
January 4, 2017  
EDSD17516

# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Southside School District No. 3 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 Southside School District No. 3 (the "District"), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 4, 2017. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2016, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

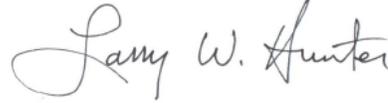
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 4, 2017

# Arkansas

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



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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

Southside School District No. 3 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Southside School District No. 3 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

#### **Report on Internal Control Over Compliance**

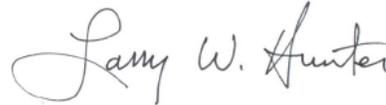
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 4, 2017

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 927,764			\$ 57,244
Investments			\$ 2,199,409	
Accounts receivable	104,039	\$ 271,867	100	
Due from other funds	378,362			
Deposit with paying agent			308,929	
<b>TOTAL ASSETS</b>	<b>\$ 1,410,165</b>	<b>\$ 271,867</b>	<b>\$ 2,508,438</b>	<b>\$ 57,244</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 33,224	\$ 11,785	\$ 293,068	\$ 771
Due student groups				54,150
Due to other funds		54,859	323,503	
Advance deposit on bond issue			40,800	
<b>Total Liabilities</b>	<b>33,224</b>	<b>66,644</b>	<b>657,371</b>	<b>54,921</b>
Fund Balances:				
Restricted	142,890	205,223	953,141	2,323
Assigned	158,098		897,926	
Unassigned	1,075,953			
<b>Total Fund Balances</b>	<b>1,376,941</b>	<b>205,223</b>	<b>1,851,067</b>	<b>2,323</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,410,165</b>	<b>\$ 271,867</b>	<b>\$ 2,508,438</b>	<b>\$ 57,244</b>

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

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 2,455,856		
State assistance	11,239,761	\$ 6,116	\$ 129,187
Federal assistance		2,508,658	42,027
Activity revenues	426,870		
Meal sales		201,565	
Investment income	7,038		23,349
Other revenues	511,640	11,127	130,637
<b>TOTAL REVENUES</b>	<b>14,641,165</b>	<b>2,727,466</b>	<b>325,200</b>
<b>EXPENDITURES</b>			
Regular programs	5,883,298	281,855	
Special education	839,714	293,501	
Career education programs	450,329	86,190	
Compensatory education programs	50,451	223,997	
Other instructional programs	99,751		
Student support services	607,071	257,296	
Instructional staff support services	1,205,230	196,405	
General administration support services	223,364	30,461	
School administration support services	790,167		
Central services support services	199,411		
Operation and maintenance of plant services	1,435,382	6,652	22,000
Student transportation services	504,493		
Other support services	37,640		
Food services operations	4,569	947,333	
Community services operations	296,693	137,592	
Facilities acquisition and construction services	66,795	139,316	4,157,714
Activity expenditures	401,033		
Debt Service:			
Principal retirement	170,668		370,000
Interest and fiscal charges	57,531		343,558
<b>TOTAL EXPENDITURES</b>	<b>13,323,590</b>	<b>2,600,598</b>	<b>4,893,272</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,317,575</b>	<b>126,868</b>	<b>(4,568,072)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			1,312,843
Transfers out	(1,312,843)		
Refund to grantor	(2,322)		
Proceeds from construction bond issue			2,070,000
Proceeds from refunding bond issue			1,030,000
Net bond issuance costs			(90,159)
Payment to refunding bond escrow agent			(983,417)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,315,165)</b>		<b>3,339,267</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>2,410</b>	<b>126,868</b>	<b>(1,228,805)</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,374,531</b>	<b>78,355</b>	<b>3,079,872</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,376,941</b>	<b>\$ 205,223</b>	<b>\$ 1,851,067</b>

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

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 2,743,256	\$ 2,455,856	\$ (287,400)			
State assistance	10,743,184	11,239,761	496,577	\$ 6,000	\$ 6,116	\$ 116
Federal assistance				2,261,055	2,508,658	247,603
Activity revenues		426,870	426,870			
Meal sales				270,500	201,565	(68,935)
Investment income	9,800	7,038	(2,762)			
Other revenues	260,600	511,640	251,040		11,127	11,127
<b>TOTAL REVENUES</b>	<b>13,756,840</b>	<b>14,641,165</b>	<b>884,325</b>	<b>2,537,555</b>	<b>2,727,466</b>	<b>189,911</b>
<b>EXPENDITURES</b>						
Regular programs	5,968,339	5,883,298	85,041	338,924	281,855	57,069
Special education	836,324	839,714	(3,390)	319,086	293,501	25,585
Career education programs	430,366	450,329	(19,963)	77,620	86,190	(8,570)
Compensatory education programs	68,057	50,451	17,606	220,195	223,997	(3,802)
Other instructional programs	116,217	99,751	16,466			
Student support services	769,096	607,071	162,025	266,998	257,296	9,702
Instructional staff support services	1,068,072	1,205,230	(137,158)	178,143	196,405	(18,262)
General administration support services	251,692	223,364	28,328	32,018	30,461	1,557
School administration support services	799,560	790,167	9,393			
Central services support services	170,214	199,411	(29,197)			
Operation and maintenance of plant services	1,509,185	1,435,382	73,803	1,000	6,652	(5,652)
Student transportation services	662,752	504,493	158,259			
Other support services	29,000	37,640	(8,640)			
Food services operations	6,000	4,569	1,431	1,045,423	947,333	98,090
Community services operations	269,891	296,693	(26,802)	94,585	137,592	(43,007)
Facilities acquisition and construction services	98,000	66,795	31,205		139,316	(139,316)
Activity expenditures		401,033	(401,033)			
Debt Service:						
Principal retirement	152,043	170,668	(18,625)			
Interest and fiscal charges	52,960	57,531	(4,571)			
<b>TOTAL EXPENDITURES</b>	<b>13,257,768</b>	<b>13,323,590</b>	<b>(65,822)</b>	<b>2,573,992</b>	<b>2,600,598</b>	<b>(26,606)</b>

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 499,072	\$ 1,317,575	\$ 818,503	\$ (36,437)	\$ 126,868	\$ 163,305
OTHER FINANCING SOURCES (USES)						
Transfers in	17,084,851		(17,084,851)	38,134		(38,134)
Transfers out	(17,675,944)	(1,312,843)	16,363,101	(38,134)		38,134
Refund to grantor		(2,322)	(2,322)			
TOTAL OTHER FINANCING SOURCES (USES)	(591,093)	(1,315,165)	(724,072)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(92,021)	2,410	94,431	(36,437)	126,868	163,305
FUND BALANCES - JULY 1	1,413,539	1,374,531	(39,008)	85,870	78,355	(7,515)
FUND BALANCES - JUNE 30	<u>\$ 1,321,518</u>	<u>\$ 1,376,941</u>	<u>\$ 55,423</u>	<u>\$ 49,433</u>	<u>\$ 205,223</u>	<u>\$ 155,790</u>

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

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a five 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 Southside 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.

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	10-30
Buildings	25-50
Equipment	5-25

F. Property Taxes

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

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2015 calendar year taxes collected by June 30, 2016 and 20 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2016 equaled or exceeded the 20 percent calculation.

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

F. Property Taxes (Continued)

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

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

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

I. Budget and Budgetary Accounting

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

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

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

J. Stabilization Arrangements

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

K. Minimum Fund Balance Policies

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

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

L. Fund Balance Classification Policies and Procedures

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

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

M. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,684,417	3,562,952
Total Deposits	\$ 3,184,417	\$ 4,062,952

The above total deposits include certificates of deposit of \$2,199,409 reported as investments and classified as nonparticipating contracts.

**3: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ 92,903		
Federal assistance		\$ 270,848	
Activity fund accounts	128		
Meal sales		1,019	
Other	11,008		\$ 100
Totals	\$ 104,039	\$ 271,867	\$ 100

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**4: COMMITMENTS**

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
High School project - Phase III	December 2016	\$ 1,477,176

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

General description of lease and leasing arrangements:

On November 12, 2013, the District executed an operating lease for multiple copiers. The agreement stipulated monthly payments of \$1,875 for a period of 36 months.

1. Future minimum rental payments (aggregate) at June 30, 2016: \$7,500
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2017	\$ 7,500

Rental payments for the operating lease described above were approximately \$27,892 for the year ended June 30, 2016.

C. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities To June 30, 2016
6/29/11	6/1/26	4.875%	\$ 925,000	\$ 925,000	
5/1/08	2/1/36	3.05 - 4.2%	530,000	425,000	\$ 105,000
7/1/12	11/1/32	1 - 3%	1,635,000	1,565,000	70,000
7/15/12	2/1/36	1 - 3.05%	2,045,000	1,915,000	130,000
9/1/12	11/1/33	1 - 2.65%	3,275,000	3,275,000	
10/1/13	11/1/35	1 - 4.25%	2,070,000	1,935,000	135,000
8/15/15	2/1/36	1 - 3%	2,070,000	1,965,000	105,000
6/8/16	2/1/36	1.125 - 2.4%	1,030,000	1,030,000	
11/15/06	11/15/16	4.67%	160,000	19,480	140,520
8/20/12	8/20/22	3.25%	650,000	476,590	173,410
6/19/14	6/19/24	4.25%	859,200	714,718	144,482
6/24/14	7/24/17	7.59%	82,899	41,600	41,299
Totals			<u>\$ 15,332,099</u>	<u>\$ 14,287,388</u>	<u>\$ 1,044,711</u>

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**4: COMMITMENTS (Continued)**

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

Changes in Long-term Debt

	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
Bonds payable	\$ 11,270,000	\$ 3,100,000	\$ 1,335,000	\$ 13,035,000
Postdated warrants	1,362,830		152,042	1,210,788
Installment contracts	60,226		18,626	41,600
<b>Totals</b>	<b>\$ 12,693,056</b>	<b>\$ 3,100,000</b>	<b>\$ 1,505,668 *</b>	<b>\$ 14,287,388</b>

\*Includes \$965,000 early retirement of debt - See Note 6.

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2017	\$ 618,009	\$ 393,066	\$ 1,011,075
2018	680,391	385,317	1,065,708
2019	679,335	370,773	1,050,108
2020	695,053	356,552	1,051,605
2021	720,975	341,055	1,062,030
2022-2026	4,323,625	1,438,377	5,762,002
2027-2031	3,375,000	780,507	4,155,507
2032-2036	3,195,000	260,660	3,455,660
<b>Totals</b>	<b>\$ 14,287,388</b>	<b>\$ 4,326,307</b>	<b>\$ 18,613,695</b>

Qualified School Construction Bonds

On June 29, 2011, the District obtained funding of \$925,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit a specified amount annually into a sinking fund for 15 years. This amount plus interest earned will be used to retire the debt when due.

Security for Debt Payments

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

**5: ACCOUNTS PAYABLE**

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

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	\$ 33,224	\$ 11,785	\$ 293,068	\$ 771

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**6: DEBT REFUNDINGS**

On June 8, 2016, the District issued refunding bonds of \$1,030,000 with interest rates of 1.125 to 2.4 percent to refund \$965,000 of outstanding bonds dated June 15, 2011. The interest rates of the bonds refunded were 1 to 4 percent. Net bond proceeds of \$983,417 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds will be called on August 1, 2016. The remaining proceeds of \$4,450 (after payment of \$42,133 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$118,092 to the District over the life of the bonds.

The outstanding principal of the bonds refunded was \$965,000 at June 30, 2016. U.S. Government securities of \$981,817, purchased by the escrow agent, were pledged for the retirement of these bonds.

**7: INTERFUND TRANSFERS**

The District transferred \$1,312,843 from the general fund to the other aggregate funds for debt related payments of \$596,805, debt refunding savings of \$166,471 required to be utilized for capital expenditures, and to supplement capital expenditures by \$549,567.

**8: RETIREMENT PLANS**

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2016 were \$1,248,500, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2015 (actuarial valuation date and measurement date) was \$9,717,400.

Arkansas Public Employees Retirement System

Plan Description

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

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**8: RETIREMENT PLANS (Continued)**

Arkansas Public Employees Retirement System (Continued)

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2016 were \$1,038, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2015 (actuarial valuation date and measurement date) was \$6,998.

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

ADDITIONS	
Donations	\$ 925
DEDUCTIONS	
Scholarships	1,243
CHANGE IN FUND BALANCE	(318)
FUND BALANCE - JULY 1	2,641
FUND BALANCE - JUNE 30	\$ 2,323

**10: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$13,580,000 issued from May 1, 2008 through June 8, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$17,147,370, payable through February 1, 2036. Principal and interest paid for the current year and total property taxes pledged for debt service were \$710,599 and \$928,582, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 76.53 percent.

**11: RISK MANAGEMENT**

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

The District carries commercial insurance for board liability coverage.

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

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**11: RISK MANAGEMENT (Continued)**

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

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

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

**12: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$344,150 for the year ended June 30, 2016.

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

Description	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 1,265		
Educational programs - national school lunch state categorical funding	36,906		
Professional development	3,036		
Capital projects			\$ 515,296
School-based health centers	54,102		
Child nutrition programs		\$ 135,438	
Debt service			437,845
Medical services		66,960	
Special education programs	15,990		
Other purposes	31,591	2,825	
Total Restricted	<u>142,890</u>	<u>205,223</u>	<u>953,141</u>
Assigned to:			
Capital projects			897,926
Student activities	94,569		
Child care programs	63,529		
Total Assigned	<u>158,098</u>		<u>897,926</u>
Unassigned	<u>1,075,953</u>		
Totals	<u>\$1,376,941</u>	<u>\$ 205,223</u>	<u>\$1,851,067</u>

**14: SUBSEQUENT EVENTS**

On August 4, 2016, the District issued refunding bonds of \$2,030,000 to advance refund the October 1, 2013 bond issue. On June 30, 2016, the District received immediately available funds of \$40,800 representing a good faith deposit which is reflected in the accompanying financial statements as the liability advance deposit on bond issue.

SOUTHSIDE SCHOOL DISTRICT NO. 3  
 INDEPENDENCE COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (Unaudited)

Schedule 1

	Balance June 30, 2016
<i>Nondepreciable capital assets:</i>	
Land	\$ 510,963
Construction in progress	3,689,554
Total nondepreciable capital assets	4,200,517
 <i>Depreciable capital assets:</i>	
Buildings	23,401,747
Improvements/infrastructure	1,726,523
Equipment	3,209,288
Total depreciable capital assets	28,337,558
 Less accumulated depreciation for:	
Buildings	4,125,869
Improvements/infrastructure	964,286
Equipment	2,383,436
Total accumulated depreciation	7,473,591
Total depreciable capital assets, net	20,863,967
Capital assets, net	\$ 25,064,484

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
School Breakfast Program	10.553	3209		\$ 201,230
National School Lunch Program	10.555	3209		514,058
Total Arkansas Department of Education				715,288
Passed Through Arkansas Department of Human Services:				
National School Lunch Program (Note 3)	10.555	3209000		59,040
TOTAL CHILD NUTRITION CLUSTER				774,328
 <b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Special Education - Grants to States	84.027	3209		356,305
Special Education - Preschool Grants	84.173	3209		15,591
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				371,896
 <b>OTHER PROGRAMS</b>				
<u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3209		298,457
Charter Schools	84.282	3209		296,120
Rural Education	84.358	3209		34,185
Improving Teacher Quality State Grants	84.367	3209		38,145
Total Arkansas Department of Education				666,907
Passed Through Arkansas Department of Career Education:				
Career and Technical Education - Basic Grants to States	84.048	3209		16,651
Total U. S. Department of Education				683,558
TOTAL OTHER PROGRAMS				683,558
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 1,829,782

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 Southside School District No. 3 (District) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 4: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5: During the year ended June 30, 2016, the District received Medicaid funding of \$125,013 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

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

**FINANCIAL STATEMENTS**

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

Internal control over financial reporting:

<input checked="" type="radio"/> Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

**FEDERAL AWARDS**

Internal control over major federal programs:

<input checked="" type="radio"/> Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	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)?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

No matters were reported.

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

**FINANCIAL STATEMENT FINDINGS**

There were no findings in the prior audit.

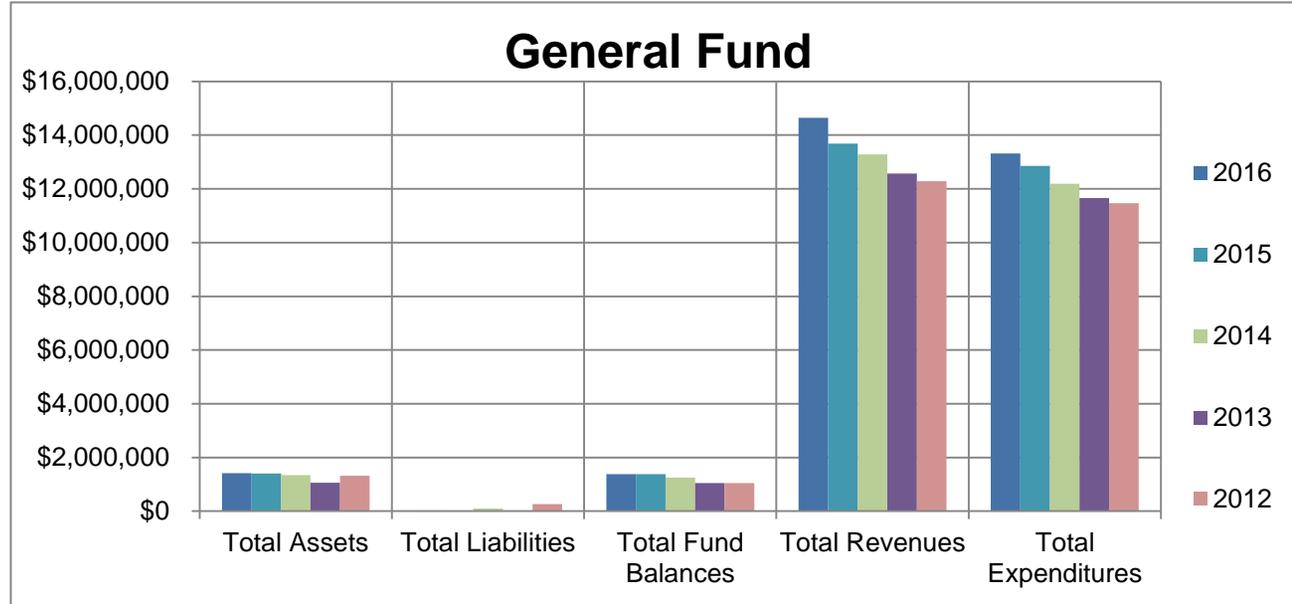
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the prior audit.

SOUTHSIDE SCHOOL DISTRICT NO. 3  
INDEPENDENCE COUNTY, ARKANSAS

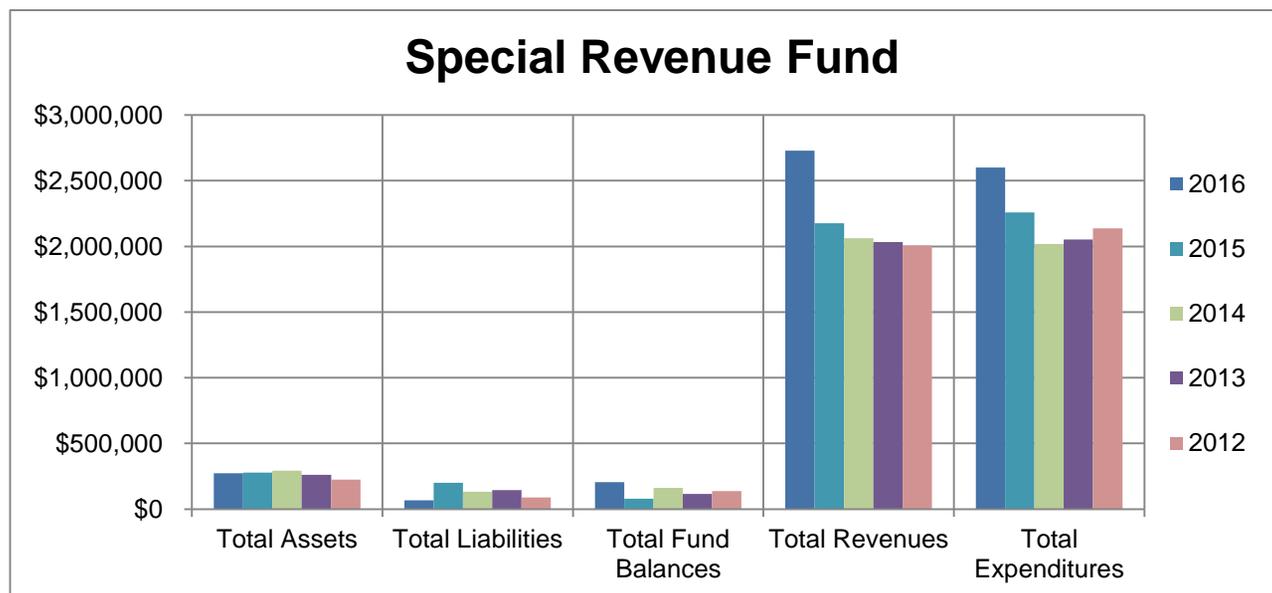
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 1,410,165	\$ 1,403,467	\$ 1,347,730	\$ 1,058,780	\$ 1,318,304
Total Liabilities	33,224	28,936	95,666	14,818	268,973
Total Fund Balances	1,376,941	1,374,531	1,252,064	1,043,962	1,049,331
Total Revenues	14,641,165	13,680,946	13,285,486	12,570,540	12,288,384
Total Expenditures	13,323,590	12,850,508	12,189,574	11,661,747	11,464,438
Total Other Financing Sources (Uses)	(1,315,165)	(707,971)	(887,810)	(914,162)	(842,759)



SOUTHSIDE SCHOOL DISTRICT NO. 3  
 INDEPENDENCE COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (Unaudited)

<b>Special Revenue Fund</b>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 271,867	\$ 278,412	\$ 293,359	\$ 261,229	\$ 224,973
Total Liabilities	66,644	200,057	132,260	144,924	87,967
Total Fund Balances	205,223	78,355	161,099	116,305	137,006
Total Revenues	2,727,466	2,174,852	2,062,694	2,031,771	2,005,532
Total Expenditures	2,600,598	2,257,596	2,017,900	2,052,472	2,137,601
Total Other Financing Sources (Uses)					61,192



SOUTHSIDE SCHOOL DISTRICT NO. 3  
 INDEPENDENCE COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 2,508,438	\$ 3,223,697	\$ 5,044,266	\$ 2,152,362	\$ 3,427,061
Total Liabilities	657,371	143,825	947,546	430,770	
Total Fund Balances	1,851,067	3,079,872	4,096,720	1,721,592	3,427,061
Total Revenues	325,200	693,007	2,742,915	646,950	292,229
Total Expenditures	4,893,272	2,417,826	4,222,405	3,931,161	951,004
Total Other Financing Sources (Uses)	3,339,267	707,971	3,854,618	1,578,742	781,567

