

**Bearden School District No. 53**

**Ouachita County, Arkansas**

**Regulatory Basis Financial Statements  
And Other Reports**

**June 30, 2018**



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OUACHITA COUNTY, ARKANSAS  
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# 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

### INDEPENDENT AUDITOR'S REPORT

Bearden School District No. 53 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 Bearden School District No. 53 (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 *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 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**

*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 Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purpose of additional analysis and are not a required part of the regulatory basis financial statements.

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 May 14, 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 that scope or 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  
May 14, 2019  
EDSD27518

# 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

Bearden School District No. 53 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 Bearden School District No. 53 (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 May 14, 2019. We have 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 consider 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 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 these 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.

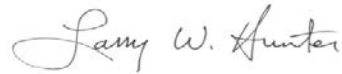
#### Compliance and Other Matters

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 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 *Governmental 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  
May 14, 2019

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2018

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 1,209,122	\$ 107,335	\$ 1,753,352	\$ 48,753
Investments	100,247		1,919,308	8,955
Accounts receivable	3,267	87,336		
<b>TOTAL ASSETS</b>	<b>\$ 1,312,636</b>	<b>\$ 194,671</b>	<b>\$ 3,672,660</b>	<b>\$ 57,708</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 14,791	\$ 53	\$ 55,987	\$ 2,171
Due student groups				40,138
<b>Total Liabilities</b>	<b>14,791</b>	<b>53</b>	<b>55,987</b>	<b>42,309</b>
Fund Balances:				
Restricted	113,186	194,618	2,040,787	15,399
Committed			800,000	
Assigned	36,893		775,886	
Unassigned	1,147,766			
<b>Total Fund Balances</b>	<b>1,297,845</b>	<b>194,618</b>	<b>3,616,673</b>	<b>15,399</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,312,636</b>	<b>\$ 194,671</b>	<b>\$ 3,672,660</b>	<b>\$ 57,708</b>

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

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 1,263,463		
State assistance	3,086,356	\$ 3,372	
Federal assistance		662,693	
Activity revenues	118,386		
Meal sales		94,716	
Investment income	17,372	28	\$ 5,925
Other revenues	59,042	3,422	
<b>TOTAL REVENUES</b>	<b>4,544,619</b>	<b>764,231</b>	<b>5,925</b>
<b>EXPENDITURES</b>			
Regular programs	1,924,791	41,362	
Special education	105,745	68,685	
Career education programs	112,183		
Compensatory education programs	45,355	162,829	
Other instructional programs	66,846		
Student support services	173,253	73,484	
Instructional staff support services	237,854	44,612	
General administration support services	220,023		
School administration support services	252,816		
Central services support services	95,427	6,000	
Operation and maintenance of plant services	465,397		
Student transportation services	196,076		
Other support services	3,876		
Food services operations	25,265	393,553	
Other enterprise operations	5,635		
Community services operations		1,307	
Facilities acquisition and construction services			117,950
Activity expenditures	118,281		
Debt Service:			
Interest and fiscal charges			20,211
Net debt issuance costs			99,627
<b>TOTAL EXPENDITURES</b>	<b>4,048,823</b>	<b>791,832</b>	<b>237,788</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>495,796</b>	<b>(27,601)</b>	<b>(231,863)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			1,083,292
Transfers out	(1,083,292)		
Proceeds from refunding bond issue			3,905,000
Payment to refunding bond escrow agent			(1,646,637)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,083,292)</b>		<b>3,341,655</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(587,496)</b>	<b>(27,601)</b>	<b>3,109,792</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,885,341</b>	<b>222,219</b>	<b>506,881</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,297,845</b>	<b>\$ 194,618</b>	<b>\$ 3,616,673</b>

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



BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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)	\$ 1,104,500	\$ 1,263,463	\$ 158,963			
State assistance	2,796,055	3,086,356	290,301	\$ 1,900	\$ 3,372	\$ 1,472
Federal assistance				721,219	662,693	(58,526)
Activity revenues	40,000	118,386	78,386			
Meal sales				116,384	94,716	(21,668)
Investment income	9,820	17,372	7,552	25	28	3
Other revenues	45,949	59,042	13,093		3,422	3,422
<b>TOTAL REVENUES</b>	<b>3,996,324</b>	<b>4,544,619</b>	<b>548,295</b>	<b>839,528</b>	<b>764,231</b>	<b>(75,297)</b>
EXPENDITURES						
Regular programs	2,027,287	1,924,791	102,496	61,675	41,362	20,313
Special education	104,984	105,745	(761)	90,212	68,685	21,527
Career education programs	116,995	112,183	4,812			
Compensatory education programs	51,616	45,355	6,261	183,942	162,829	21,113
Other instructional programs	89,309	66,846	22,463			
Student support services	161,068	173,253	(12,185)	155,929	73,484	82,445
Instructional staff support services	279,479	237,854	41,625	65,962	44,612	21,350
General administration support services	215,627	220,023	(4,396)			
School administration support services	247,837	252,816	(4,979)			
Central services support services	122,369	95,427	26,942	8,200	6,000	2,200
Operation and maintenance of plant services	672,533	465,397	207,136			
Student transportation services	393,760	196,076	197,684			
Other support services	31,400	3,876	27,524			
Food services operations	26,610	25,265	1,345	358,888	393,553	(34,665)
Other enterprise operations	6,084	5,635	449			
Community services operations				4,500	1,307	3,193
Non-programmed costs				4,500		4,500
Activity expenditures		118,281	(118,281)			
<b>TOTAL EXPENDITURES</b>	<b>4,546,958</b>	<b>4,048,823</b>	<b>498,135</b>	<b>933,808</b>	<b>791,832</b>	<b>141,976</b>

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (550,634)	\$ 495,796	\$ 1,046,430	\$ (94,280)	\$ (27,601)	\$ 66,679
OTHER FINANCING SOURCES (USES)						
Transfers in	5,897,606		(5,897,606)			
Transfers out	(6,723,106)	(1,083,292)	5,639,814			
TOTAL OTHER FINANCING SOURCES (USES)	(825,500)	(1,083,292)	(257,792)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,376,134)	(587,496)	788,638	(94,280)	(27,601)	66,679
FUND BALANCES - JULY 1	1,942,008	1,885,341	(56,667)	215,627	222,219	6,592
FUND BALANCES - JUNE 30	<u>\$ 565,874</u>	<u>\$ 1,297,845</u>	<u>\$ 731,971</u>	<u>\$ 121,347</u>	<u>\$ 194,618</u>	<u>\$ 73,271</u>

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

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA 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 Bearden 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.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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:

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

**F. Property Taxes**

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

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

F. Property Taxes (Continued)

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.

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. 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.

H. Budget and Budgetary Accounting

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

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

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

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

The 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.

L. Encumbrances

The District does not utilize encumbrance accounting.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**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)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	4,858,778	5,290,954
Total Deposits	\$ 5,108,778	\$ 5,540,954

The above total deposits do not include cash of \$27,470 which was held in the Calhoun County Treasury and cash of \$1,869 which was maintained in a money market fund administered by a third party, and insured by the Securities Investor Protection Corporation (SIPC). The above total deposits include certificates of deposit of \$2,019,555 reported as investments and classified as nonparticipating contracts.

**3: INVESTMENTS**

The District has 658 shares of General Electric Company stock with a fair market value of \$8,955 at June 30, 2018. All investments reported in the District's fiduciary fund types are comprised of General Electric Company stock.

Fair value of investments - Fair value measurements are based on the fair value hierarchy as follows:

Level 1 - Quoted prices in active markets for identical assets

Level 2 - Significant other observable inputs

Level 3 - Significant unobservable inputs

Of the above investments, \$8,955 are classified in Level 1. There are no investments classified in Level 2 or 3.

**4: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 87,336
Other	\$ 3,267	
Totals	\$ 3,267	\$ 87,336

BEARDEN SCHOOL DISTRICT NO. 53  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**5: COMMITMENTS**

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

A. Construction Contracts

Project Name	Completion Date	Contract Balance
Old Main demolition	August 17, 2018	\$ 62,208
Auditorium addition	May 1, 2019	1,225,266

B. 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, 2018	Maturities To June 30, 2018
11/28/17	2/1/48	2 - 3.5%	\$ 3,905,000	\$ 3,905,000	\$ 0

Changes in Long-term Debt

	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
Bonds payable	\$ 1,630,000	\$ 3,905,000	\$ 1,630,000 *	\$ 3,905,000

\* Includes \$1,630,000 early retirement of debt – See Note 7.

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2019	\$ 70,000	\$ 137,986	\$ 207,986
2020	90,000	116,035	206,035
2021	95,000	114,235	209,235
2022	95,000	112,335	207,335
2023	95,000	110,435	205,435
2024-2028	520,000	520,575	1,040,575
2029-2033	585,000	451,567	1,036,567
2034-2038	670,000	358,950	1,028,950
2039-2043	775,000	240,438	1,015,438
2044-2048	910,000	97,825	1,007,825
Totals	\$ 3,905,000	\$ 2,260,381	\$ 6,165,381



BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**5: COMMITMENTS (Continued)**

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

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.

**6: ACCOUNTS PAYABLE**

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

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	\$ 14,791	\$ 53	\$ 55,987	\$ 2,171

**7: DEBT REFUNDING**

On November 28, 2017, the District issued refunding and construction bonds of \$3,905,000 with interest rates of 2 to 3.5 percent to refund \$1,630,000 of outstanding bonds dated September 1, 2010. The interest rates of the bonds refunded were .5 to 2.85 percent. Net bond proceeds of \$1,646,637 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on December 28, 2017. The remaining proceeds of \$2,158,736 (after payment of \$99,627 net bond issuance costs) will be utilized for the construction of an auditorium. The bond issue extended the debt obligations of the District from fiscal year 2025 to 2048.

**8: INTERFUND TRANSFERS**

The District transferred \$1,083,292 from the general fund to the other aggregate funds for debt related payments of \$20,211 and future capital projects of \$1,063,081.

**9: RETIREMENT PLAN**

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers 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](http://www.artrs.gov).

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**9: RETIREMENT PLAN (Continued)**

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 \$388,600, 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 \$4,057,290.

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

ADDITIONS	
Donations	\$ 3,300
Dividends	474
	474
TOTAL ADDITIONS	3,774
DEDUCTIONS	
Scholarships	6,600
Unrealized loss on investment	8,818
	8,818
TOTAL DEDUCTIONS	15,418
CHANGE IN FUND BALANCE	(11,644)
FUND BALANCE - JULY 1	27,043
FUND BALANCE - JUNE 30	\$ 15,399

**11: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$3,905,000 issued on November 28, 2017. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$6,165,381, payable through February 1, 2048. Principal and interest paid for the current year and total property taxes pledged for debt service were \$20,111 and \$358,404, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 5.61 percent.

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**12: 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 student accidents and liability insurance for board members, administration, faculty, and staff.

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

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

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

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

**13: 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 \$72,254 for the year ended June 30, 2018.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 5,582		
Educational programs - national school lunch state categorical funding	51,447		
Professional development	9,995		
Capital projects			\$ 2,040,787
Child nutrition programs		\$ 8,506	
Medical services		185,944	
Special education programs	4,247		
Other purposes	41,915	168	
Total Restricted	<u>113,186</u>	<u>194,618</u>	<u>2,040,787</u>
Committed to:			
Capital projects			<u>800,000</u>
Assigned to:			
Capital projects			775,886
Student activities	34,018		
Other purposes	2,875		
Total Assigned	<u>36,893</u>		<u>775,886</u>
Unassigned	<u>1,147,766</u>		
Totals	<u>\$ 1,297,845</u>	<u>\$ 194,618</u>	<u>\$ 3,616,673</u>

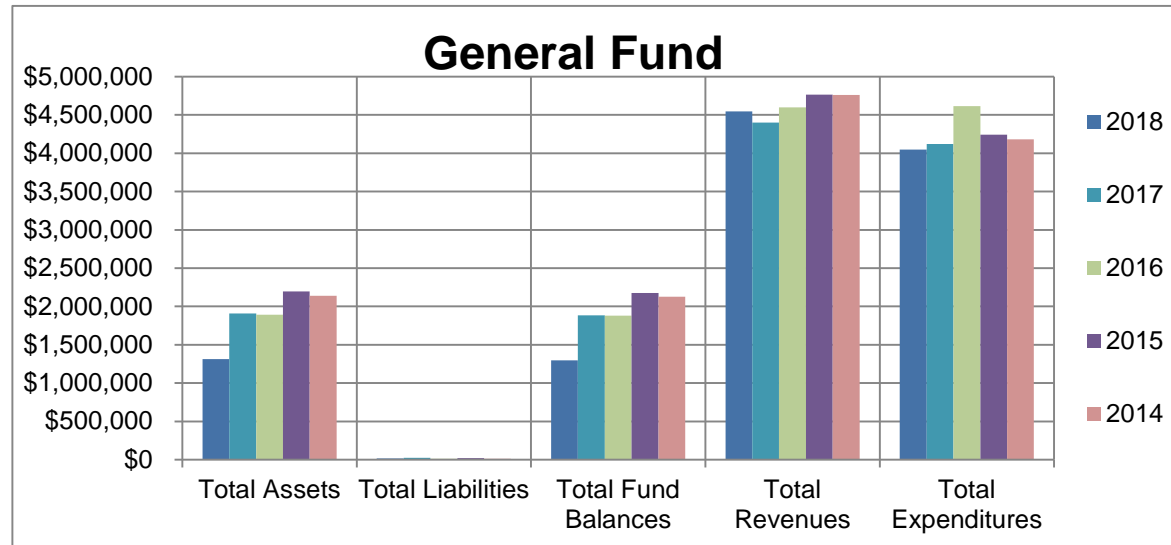
BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

Schedule 1

	Balance June 30, 2018
<i>Nondepreciable capital assets:</i>	
Land	\$ 131,690
Construction in progress	61,962
Total nondepreciable capital assets	193,652
 <i>Depreciable capital assets:</i>	
Buildings	7,160,752
Improvements/infrastructure	206,642
Equipment	1,402,348
Total depreciable capital assets	8,769,742
 Less accumulated depreciation for:	
Buildings	4,372,907
Improvements/infrastructure	143,329
Equipment	1,046,665
Total accumulated depreciation	5,562,901
 Total depreciable capital assets, net	3,206,841
 Capital assets, net	\$ 3,400,493

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

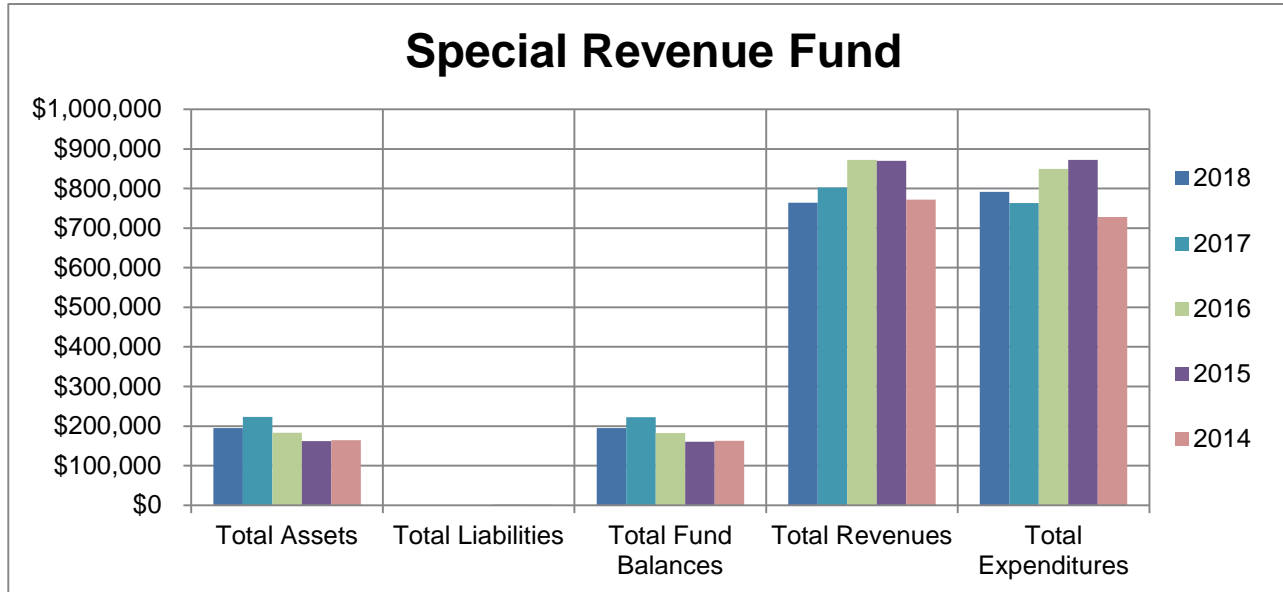
<b>General Fund</b>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 1,312,636	\$ 1,909,109	\$ 1,893,077	\$ 2,197,168	\$ 2,140,733
Total Liabilities	14,791	23,768	10,925	21,948	12,138
Total Fund Balances	1,297,845	1,885,341	1,882,152	2,175,220	2,128,595
Total Revenues	4,544,619	4,401,916	4,598,333	4,765,315	4,762,391
Total Expenditures	4,048,823	4,120,396	4,613,693	4,244,455	4,182,929
Total Other Financing Sources (Uses)	(1,083,292)	(278,331)	(277,708)	(474,235)	(244,429)



BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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	\$ 194,671	\$ 222,996	\$ 182,891	\$ 161,848	\$ 164,532
Total Liabilities	53	777	106	1,345	1,576
Total Fund Balances	194,618	222,219	182,785	160,503	162,956
Total Revenues	764,231	802,806	871,942	869,819	771,835
Total Expenditures	791,832	763,372	849,660	872,272	727,834
Total Other Financing Sources (Uses)					(5,313)



BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

<b>Other Aggregate Funds</b>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 3,672,660	\$ 506,881	\$ 449,634	\$ 396,255	\$ 144,451
Total Liabilities	55,987				
Total Fund Balances	3,616,673	506,881	449,634	396,255	144,451
Total Revenues	5,925	2,797	2,252	1,334	575
Total Expenditures	237,788	223,881	226,581	223,765	220,462
Total Other Financing Sources (Uses)	3,341,655	278,331	277,708	474,235	244,429

