

# **Clinton School District No. 1**

**Van Buren County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2018**



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VAN BUREN 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**

Clinton School District No. 1 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 Clinton School District No. 1 (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

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

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

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

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

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

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

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

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

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

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

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

**Unmodified Opinions on Regulatory Basis of Accounting**

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

**Other Matters**

*Supplementary and Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
January 22, 2019  
EDSD38118

# Arkansas

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



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

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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

Clinton School District No. 1 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 Clinton School District No. 1 (the "District"), as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 22, 2019. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

#### 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*.

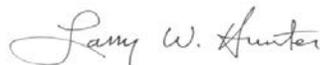
### **District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 22, 2019

# Arkansas

**Sen. Jason Rapert**  
Senate 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

Clinton School District No. 1 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Clinton School District No. 1 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

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

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

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

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 22, 2019

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN 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	\$ 2,552,899	\$ 99,079	\$ 2,203,599	\$ 43,769
Investments				67,701
Accounts receivable	53,556	119,521		
Deposit with paying agent			465,157	
<b>TOTAL ASSETS</b>	<b>\$ 2,606,455</b>	<b>\$ 218,600</b>	<b>\$ 2,668,756</b>	<b>\$ 111,470</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 79,038	\$ 6,097		\$ 489
Due student groups				43,280
<b>Total Liabilities</b>	<b>79,038</b>	<b>6,097</b>		<b>43,769</b>
Fund Balances:				
Restricted	243,377	212,503	\$ 465,157	67,701
Assigned	96,410		2,203,599	
Unassigned	2,187,630			
<b>Total Fund Balances</b>	<b>2,527,417</b>	<b>212,503</b>	<b>2,668,756</b>	<b>67,701</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,606,455</b>	<b>\$ 218,600</b>	<b>\$ 2,668,756</b>	<b>\$ 111,470</b>

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

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN 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)	\$ 6,822,468		
State assistance	5,760,093	\$ 6,269	
Federal assistance	106,205	2,088,828	\$ 28,330
Activity revenues	138,121		
Meal sales		32,709	
Investment income	73,393		2,979
Other revenues	547,992	34,218	
<b>TOTAL REVENUES</b>	<b>13,448,272</b>	<b>2,162,024</b>	<b>31,309</b>
<b>EXPENDITURES</b>			
Regular programs	4,900,618	338,489	
Special education	977,685	268,864	
Career education programs	501,262		
Adult/continuing education program	288		
Compensatory education programs	589,009	348,093	
Other instructional programs	349,507		
Student support services	421,873	178,239	
Instructional staff support services	597,751	267,267	
General administration support services	327,867	24,516	
School administration support services	694,838		
Central services support services	859,552		
Operation and maintenance of plant services	1,348,568	378	42,240
Student transportation services	824,075	23,176	
Other support services	23,245		
Food services operations	6	716,089	
Community services operations		6,036	
Facilities acquisition and construction services	65,387		175,564
Non-programmed costs		14,968	
Activity expenditures	140,785		
Debt Service:			
Principal retirement	11,058		847,849
Interest and fiscal charges	11,281		461,771
<b>TOTAL EXPENDITURES</b>	<b>12,644,655</b>	<b>2,186,115</b>	<b>1,527,424</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>803,617</b>	<b>(24,091)</b>	<b>(1,496,115)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			2,265,430
Transfers out	(2,265,430)		
Refund to grantor	(34,889)	(2,004)	
Value of capital lease	25,269		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,275,050)</b>	<b>(2,004)</b>	<b>2,265,430</b>

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	Major		
	General	Special Revenue	Other Aggregate
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (1,471,433)	\$ (26,095)	\$ 769,315
FUND BALANCES - JULY 1	3,998,850	238,598	1,899,441
FUND BALANCES - JUNE 30	\$ 2,527,417	\$ 212,503	\$ 2,668,756

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

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN 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)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 7,508,495	\$ 6,822,468	\$ (686,027)			
State assistance	5,546,119	5,760,093	213,974		\$ 6,269	\$ 6,269
Federal assistance	35,000	106,205	71,205	\$ 2,415,244	2,088,828	(326,416)
Activity revenues		138,121	138,121			
Meal sales				38,400	32,709	(5,691)
Investment income	52,000	73,393	21,393			
Other revenues	248,000	547,992	299,992	31,760	34,218	2,458
<b>TOTAL REVENUES</b>	<b>13,389,614</b>	<b>13,448,272</b>	<b>58,658</b>	<b>2,485,404</b>	<b>2,162,024</b>	<b>(323,380)</b>
<b>EXPENDITURES</b>						
Regular programs	4,983,550	4,900,618	82,932	486,361	338,489	147,872
Special education	927,190	977,685	(50,495)	297,161	268,864	28,297
Career education programs	497,603	501,262	(3,659)			
Adult/continuing education program		288	(288)			
Compensatory education programs	666,588	589,009	77,579	418,738	348,093	70,645
Other instructional programs	406,220	349,507	56,713			
Student support services	415,055	421,873	(6,818)	201,025	178,239	22,786
Instructional staff support services	665,518	597,751	67,767	354,945	267,267	87,678
General administration support services	188,606	327,867	(139,261)	39,301	24,516	14,785
School administration support services	715,556	694,838	20,718			
Central services support services	869,620	859,552	10,068			
Operation and maintenance of plant services	1,408,024	1,348,568	59,456	3,000	378	2,622
Student transportation services	800,148	824,075	(23,927)	10,422	23,176	(12,754)
Other support services	49,645	23,245	26,400			
Food services operations		6	(6)	732,400	716,089	16,311
Community services operations				30,947	6,036	24,911
Facilities acquisition and construction services	45,000	65,387	(20,387)			
Non-programmed costs				11,668	14,968	(3,300)
Activity expenditures		140,785	(140,785)			
Debt Service:						
Principal retirement	11,930	11,058	872			
Interest and fiscal charges	63,400	11,281	52,119			
<b>TOTAL EXPENDITURES</b>	<b>12,713,653</b>	<b>12,644,655</b>	<b>68,998</b>	<b>2,585,968</b>	<b>2,186,115</b>	<b>399,853</b>

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN 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	\$ 675,961	\$ 803,617	\$ 127,656	\$ (100,564)	\$ (24,091)	\$ 76,473
OTHER FINANCING SOURCES (USES)						
Transfers in	5,810,188		(5,810,188)			
Transfers out	(6,941,162)	(2,265,430)	4,675,732			
Refund to grantor		(34,889)	(34,889)		(2,004)	(2,004)
Value of capital lease		25,269	25,269			
TOTAL OTHER FINANCING SOURCES (USES)	(1,130,974)	(2,275,050)	(1,144,076)		(2,004)	(2,004)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(455,013)	(1,471,433)	(1,016,420)	(100,564)	(26,095)	74,469
FUND BALANCES - JULY 1	4,272,405	3,998,850	(273,555)	291,771	238,598	(53,173)
FUND BALANCES - JUNE 30	\$ 3,817,392	\$ 2,527,417	\$ (1,289,975)	\$ 191,207	\$ 212,503	\$ 21,296

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

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN 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 Clinton 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.

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

**C. Measurement Focus and Basis of Accounting (Continued)**

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

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

**D. Revenue Recognition Policies**

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

**E. Capital Assets**

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

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	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.

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN 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. 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.

H. Budget and Budgetary Accounting

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

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

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

I. Stabilization Arrangements

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

CLINTON SCHOOL DISTRICT NO. 1  
 VAN BUREN COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

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

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.

**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)	\$ 4,967,047	\$ 5,083,651

The District's primary bank account's balance is swept daily to a number of banks in which all cash deposits in the banks are insured.

The above total deposits include certificates of deposit of \$67,701 reported as investments and classified as nonparticipating contracts.

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**3: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance	\$ 3,369	\$ 119,521
Other	50,187	
<b>Totals</b>	<b>\$ 53,556</b>	<b>\$ 119,521</b>

**4: COMMITMENTS**

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

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
11/1/05	2/1/28	3.35 - 4.2%	\$ 425,000	\$ 235,000	\$ 190,000
8/4/11	8/1/27	4.71%	935,000	935,000	
2/1/13	2/1/41	2 - 3.5%	11,005,000	10,050,000	955,000
3/1/16	2/1/28	1 - 2%	5,865,000	5,140,000	725,000
9/27/11	9/27/21	4.5%	185,456	185,456	
5/28/13	5/28/23	1.94%	305,500	160,117	145,383
5/25/16	5/25/26	2.59%	364,123	298,595	65,528
12/13/16	12/13/21	5.61%	15,193	11,064	4,129
4/27/17	4/27/22	5.42%	45,864	36,262	9,602
6/6/18	6/6/23	6.36%	25,269	25,269	
<b>Totals</b>			<b>\$ 19,171,405</b>	<b>\$ 17,076,763</b>	<b>\$ 2,094,642</b>

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**4: COMMITMENTS (Continued)**

Long-term Debt Issued and Outstanding (Continued)

Changes in Long-term Debt

	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
Bonds payable	\$ 17,145,000		\$ 785,000	\$ 16,360,000
Postdated warrants	185,456			185,456
Capital leases	58,384	\$ 25,269	11,058	72,595
Installment contracts	521,561		62,849	458,712
<b>Totals</b>	<b>\$ 17,910,401</b>	<b>\$ 25,269</b>	<b>\$ 858,907</b>	<b>\$ 17,076,763</b>

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2019	\$ 880,967	\$ 458,595	\$ 1,339,562
2020	893,397	444,675	1,338,072
2021	910,931	430,500	1,341,431
2022	1,105,507	414,959	1,520,466
2023	931,728	390,430	1,322,158
2024-2028	5,569,233	1,631,433	7,200,666
2029-2033	2,275,000	967,475	3,242,475
2034-2038	2,665,000	588,106	3,253,106
2039-2041	1,845,000	130,900	1,975,900
<b>Totals</b>	<b>\$ 17,076,763</b>	<b>\$ 5,457,073</b>	<b>\$ 22,533,836</b>

Capital Leases

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

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment	\$ 86,326	\$ 15,736	\$ 70,590

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**4: COMMITMENTS (Continued)**

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

Total Minimum Lease Payments	\$	82,060
Less: Amount Representing Interest		9,465
Total Present Value of Net Minimum Lease Payments	\$	72,595

**Qualified School Construction Bonds**

On August 4, 2011 and September 27, 2011, the District obtained funding of \$935,000 and \$185,456, respectively, from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit specified amounts annually into sinking funds for 16 years and 10 years, respectively. These amounts plus interest earned will be used to retire the debts 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, 2018 were comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types
	Major		
	General	Special Revenue	
Vendor payables	\$ 79,038	\$ 6,097	\$ 489

**6: INTERFUND TRANSFERS**

The District transferred \$2,265,430 from the general fund to the other aggregate funds for debt related payments of \$1,337,708 and for future capital projects of \$927,722.

CLINTON SCHOOL DISTRICT NO. 1  
 VAN BUREN COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**7: RETIREMENT PLAN**

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers 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).

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2018 were \$1,188,861, 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 \$11,560,271.

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

ADDITIONS		
Donations	\$	2,100
Interest		526
TOTAL ADDITIONS		2,626
DEDUCTIONS		
Scholarships		6,006
CHANGE IN FUND BALANCE		(3,380)
FUND BALANCE - JULY 1		71,081
FUND BALANCE - JUNE 30	\$	67,701

**9: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$18,230,000 issued from November 1, 2005 to March 1, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$21,731,635, payable through February 1, 2041. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,232,277 and \$2,187,639, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 56.33 percent.

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**10: RISK MANAGEMENT**

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

The Districts carries commercial insurance for board liability and student accidents.

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

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

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

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

**11: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$268,787 for the year ended June 30, 2018.

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**12: 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	\$ 11,701		
Educational programs - national school lunch state categorical funding	124,456		
English-language learners	2,635		
Professional development	72		
Child nutrition programs		\$ 43,568	
Debt service	9,240		\$ 465,157
Medical services		139,541	
Special education programs	1,096		
Other purposes	94,177	29,394	
Total Restricted	<u>243,377</u>	<u>212,503</u>	<u>465,157</u>
Assigned to:			
Capital projects			2,203,599
Student activities	59,537		
Other purposes	36,873		
Total Assigned	<u>96,410</u>		<u>2,203,599</u>
Unassigned	<u>2,187,630</u>		
Totals	<u>\$2,527,417</u>	<u>\$ 212,503</u>	<u>\$2,668,756</u>

**13: NEGOTIATED SETTLEMENT AGREEMENT**

On February 14, 2018, the District's Board of Education executed a Negotiated Settlement in Exchange for Resignation agreement with Superintendent Andrew Vining. In accordance with the agreement, the Superintendent's employment with the District ceased at 11:59 PM on June 30, 2018, the District paid the Superintendent's fiscal year 2019 contract amount of \$106,000, and paid the Superintendent the remaining balance of his accrued sick and annual leave at his daily rate of pay which amounted to \$16,121 and \$6,846, respectively. All amounts were paid by June 30, 2018.

**14: RELATED-PARTY TRANSACTIONS**

The District maintained a bank balance of \$5,083,651 with First Service Bank at June 30, 2018. A member of the District's Board of Education is on the Board of Directors of this bank and another member is a president at the bank. In accordance with Ark. Code Ann. § 6-24-105, Arkansas Department of Education approved the District conducting business with First Service Bank.

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN 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	\$ 249,214
<i>Depreciable capital assets:</i>	
Buildings	21,534,579
Improvements/infrastructure	2,368,292
Equipment	4,409,192
Total depreciable capital assets	28,312,063
Less accumulated depreciation for:	
Buildings	5,178,190
Improvements/infrastructure	600,569
Equipment	2,894,572
Total accumulated depreciation	8,673,331
Total depreciable capital assets, net	19,638,732
Capital assets, net	\$ 19,887,946

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	7102		\$ 124,010
National School Lunch Program (Note 3)	10.555			8,999
Arkansas Department of Education - National School Lunch Program	10.555	7102		454,855
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	7102000		69,545
Total for National School Lunch Program				<u>533,399</u>
Total U. S. Department of Agriculture				<u>657,409</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<u>657,409</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	7102		328,272
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>				<u>328,272</u>
<b>OTHER PROGRAMS</b>				
<u>U. S. Environmental Protection Agency</u>				
Arkansas Department of Environmental Quality - State Clean Diesel Grant Program	66.040	7102		25,400
Total U. S. Environmental Protection Agency				<u>25,400</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	7102		407,069
Arkansas Department of Education - Education for Homeless Children and Youth	84.196	7102		26,617
Arkansas Department of Education - Twenty-First Century Community Learning Centers	84.287	7102		237,076
Arkansas Department of Education - Rural Education	84.358	7102		40,407
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	7102		128,090
Total U. S. Department of Education				<u>839,259</u>
<u>U. S. Department of Health and Human Services</u>				
Arkansas Department of Education - Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	7102		11,713
Total U. S. Department of Health and Human Services				<u>11,713</u>
<b>TOTAL OTHER PROGRAMS</b>				<u>876,372</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 0</u>	<u>\$ 1,862,053</u>

The accompanying notes are an integral part of this schedule.

CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Clinton School District No. 1 (District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 6: During the year ended June 30, 2018, the District received Medicaid funding of \$103,014 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.



CLINTON SCHOOL DISTRICT NO. 1  
VAN BUREN COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

MATERIAL WEAKNESS

2018-001. Internal Control

Criteria: Internal control is a process consisting of five interrelated components - *control environment, risk assessment, information and communication, control activities, and monitoring*. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement in the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the responsibilities of receipting, depositing, and reconciliation of financial records were not adequately segregated.

Cause: District management, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiencies in internal control.

Effect or potential effect: The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard District assets, was adversely affected by the identified weaknesses in the above internal control component.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets.

Views of responsible officials: We concur with the recommendation and will implement corrective procedures to the extent possible.

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

No matters were reported.



# CLINTON PUBLIC SCHOOLS

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

### FINANCIAL STATEMENT FINDINGS

2017 - Finding 2017-001: Internal Control  
2016 - Finding 2016-001: Internal Control

#### Condition:

Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement in the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the responsibilities of receipting, depositing, and reconciliation of financial records were not adequately segregated.

#### Current Status:

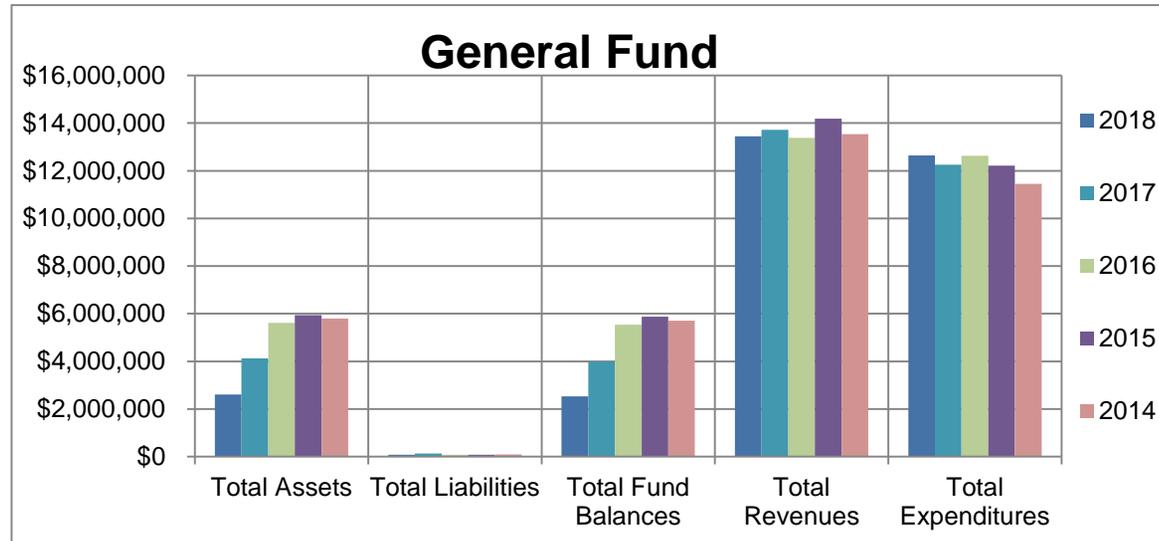
Areas involving lack of segregation of financial accounting duties had not been addressed by the District. See Finding 2018-001 at Schedule 3.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

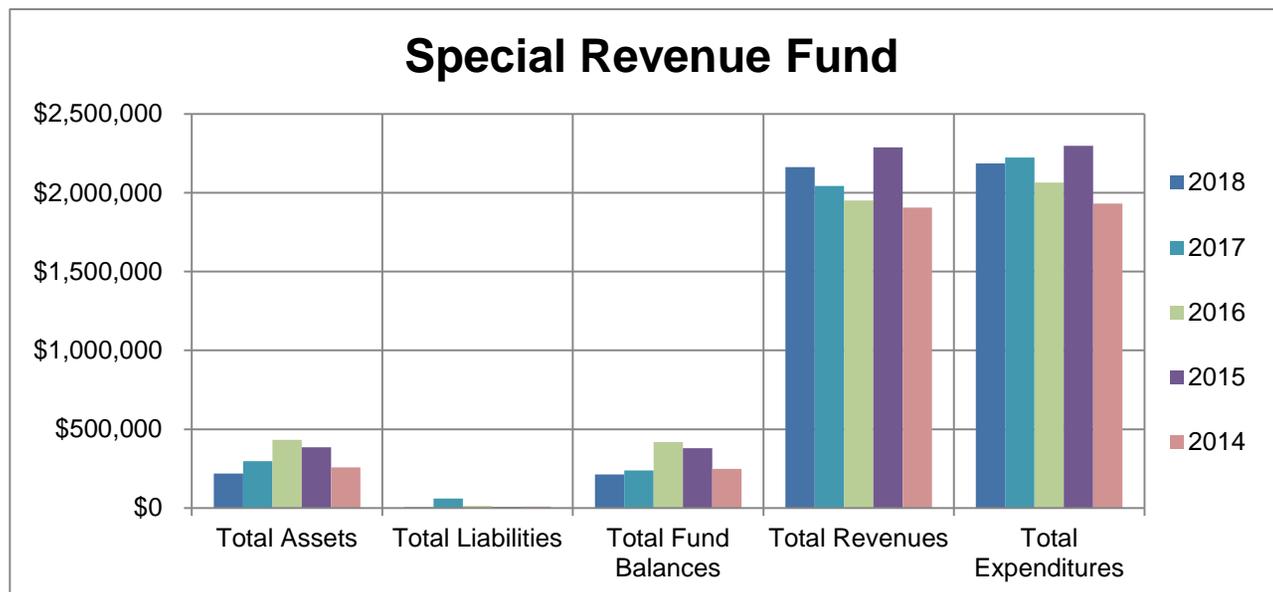
CLINTON SCHOOL DISTRICT NO. 1  
 VAN BUREN COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 2,606,455	\$ 4,127,016	\$ 5,617,535	\$ 5,941,481	\$ 5,799,114
Total Liabilities	79,038	128,166	77,651	72,831	92,188
Total Fund Balances	2,527,417	3,998,850	5,539,884	5,868,650	5,706,926
Total Revenues	13,448,272	13,725,064	13,379,283	14,189,465	13,538,299
Total Expenditures	12,644,655	12,256,679	12,625,868	12,212,747	11,455,766
Total Other Financing Sources (Uses)	(2,275,050)	(3,009,419)	(1,082,181)	(1,814,994)	(1,078,033)



CLINTON SCHOOL DISTRICT NO. 1  
 VAN BUREN 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	\$ 218,600	\$ 298,393	\$ 432,217	\$ 386,187	\$ 258,762
Total Liabilities	6,097	59,795	12,332	6,872	9,732
Total Fund Balances	212,503	238,598	419,885	379,315	249,030
Total Revenues	2,162,024	2,042,400	1,952,222	2,288,390	1,906,712
Total Expenditures	2,186,115	2,223,493	2,064,448	2,297,151	1,930,715
Total Other Financing Sources (Uses)	(2,004)	(194)	152,796	139,046	79,016



CLINTON SCHOOL DISTRICT NO. 1  
 VAN BUREN COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 2,668,756	\$ 1,899,441	\$ 492,664	\$ 1,212,253	\$ 1,401,877
Total Liabilities			18,325	216,325	
Total Fund Balances	2,668,756	1,899,441	474,339	995,928	1,401,877
Total Revenues	31,309	37,454	29,037	188,766	40,564
Total Expenditures	1,527,424	1,682,828	1,812,637	2,270,663	7,052,202
Total Other Financing Sources (Uses)	2,265,430	3,070,476	1,262,011	1,675,948	984,435

