

# **Augusta School District No. 10**

**Woodruff County, Arkansas**

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

**June 30, 2018**



AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
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# Arkansas



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

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

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

## **LEGISLATIVE JOINT AUDITING COMMITTEE** **ARKANSAS LEGISLATIVE AUDIT**

### **INDEPENDENT AUDITOR'S REPORT**

Augusta School District No. 10 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 Augusta School District No. 10 (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 February 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 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  
February 14, 2019  
EDSD40818

# Arkansas

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



**Rep. Richard Womack**  
House 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

Augusta School District No. 10 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 Augusta School District No. 10 (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 February 14, 2019. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated February 14, 2019.

**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  
February 14, 2019

# Arkansas



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Senate Chair  
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Senate Vice Chair

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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Augusta School District No. 10 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Augusta School District No. 10 (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.

#### ***Basis for Qualified Opinion on CFDA 84.010 Title I Grants to Local Educational Agencies***

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding CFDA 84.010 Title I Grants to Local Educational Agencies as described in finding number 2018-001 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

#### ***Qualified Opinion on CFDA 84.010 Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 84.010 Title I Grants to Local Educational Agencies for the year ended June 30, 2018.

#### ***Other Matters***

The District's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

## 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 and therefore, material weaknesses or significant deficiencies may exist that have not identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

The District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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  
February 14, 2019

# Arkansas



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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Augusta School District No. 10 and School Board Members  
Legislative Joint Auditing Committee

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with District officials during the course of our audit fieldwork and at the exit conference.

1. The District used \$562 in operating funds to purchase 100 travel tumblers for a nonbusiness purpose, in conflict with Ark. Const. art. 14, § 2, as interpreted in Op. Att'y Gen. no. 91-411. A similar finding was reported in the previous audit.
2. The District conducted a review of purchases made by an employee from July 2013 through July 2017 after noticing discrepancies on invoices from various vendors. This review revealed \$1,001 was paid for parts and supplies for vehicles and equipment that the District did not own. The employee who submitted these invoices for payment was placed on administrative leave on October 4, 2017, and recommended for termination. A Board hearing held on January 11, 2018, resulted in the Board voting to continue the employee's contract with a one-year probationary period.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 14, 2019

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2018

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 782,546	\$ 47,910	\$ 1,300,615	\$ 145
Investments	5,410			20,169
Accounts receivable		85,268		
Due from student groups				576
Deposit with paying agent			52,093	
<b>TOTAL ASSETS</b>	<b><u>\$ 787,956</u></b>	<b><u>\$ 133,178</u></b>	<b><u>\$ 1,352,708</u></b>	<b><u>\$ 20,890</u></b>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	<u>\$ 97,342</u>	<u>\$ 4,158</u>	<u>\$ 14,409</u>	
Fund Balances:				
Nonspendable			52,093	\$ 20,169
Restricted	62,982	129,020	509,710	721
Assigned	3,806		776,496	
Unassigned	<u>623,826</u>			
Total Fund Balances	<u>690,614</u>	<u>129,020</u>	<u>1,338,299</u>	<u>20,890</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 787,956</u></b>	<b><u>\$ 133,178</u></b>	<b><u>\$ 1,352,708</u></b>	<b><u>\$ 20,890</u></b>

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 2,203,842		
State assistance	2,084,692	\$ 2,022	
Federal assistance	42,677	1,067,991	
Activity revenues	41,579		
Meal sales		15,519	
Investment income	22		
Other revenues	46,871	1,350	
<b>TOTAL REVENUES</b>	<b>4,419,683</b>	<b>1,086,882</b>	
<b>EXPENDITURES</b>			
Regular programs	1,825,111		
Special education	167,220	181,266	
Career education programs	177,887		
Compensatory education programs	7,129	90,740	
Other instructional programs	41,057		
Student support services	155,099	55,739	
Instructional staff support services	235,564	438,379	
General administration support services	269,214	36,151	
School administration support services	181,344		
Central services support services	43,504		
Operation and maintenance of plant services	550,078		\$ 127,131
Student transportation services	221,679		
Other support services	21,513		
Food services operations		326,577	
Community services operations		2,631	
Facilities acquisition and construction services			65,920
Non-programmed costs		16,045	
Activity expenditures	59,150		
Debt Service:			
Principal retirement			85,000
Interest and fiscal charges			106,030
<b>TOTAL EXPENDITURES</b>	<b>3,955,549</b>	<b>1,147,528</b>	<b>384,081</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>464,134</b>	<b>(60,646)</b>	<b>(384,081)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			963,150
Transfers out	(963,150)		
Refund to grantor	(55,404)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,018,554)</b>		<b>963,150</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(554,420)</b>	<b>(60,646)</b>	<b>579,069</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,245,034</b>	<b>189,666</b>	<b>759,230</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 690,614</b>	<b>\$ 129,020</b>	<b>\$ 1,338,299</b>

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
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)	\$ 2,225,000	\$ 2,203,842	\$ (21,158)			
State assistance	1,842,034	2,084,692	242,658	\$ 2,000	\$ 2,022	\$ 22
Federal assistance		42,677	42,677	1,016,632	1,067,991	51,359
Activity revenues		41,579	41,579			
Meal sales				6,150	15,519	9,369
Investment income		22	22			
Other revenues	18,000	46,871	28,871		1,350	1,350
<b>TOTAL REVENUES</b>	<b>4,085,034</b>	<b>4,419,683</b>	<b>334,649</b>	<b>1,024,782</b>	<b>1,086,882</b>	<b>62,100</b>
<b>EXPENDITURES</b>						
Regular programs	1,991,300	1,825,111	166,189			
Special education	172,525	167,220	5,305	132,106	181,266	(49,160)
Career education programs	180,155	177,887	2,268			
Compensatory education programs	163	7,129	(6,966)	280,040	90,740	189,300
Other instructional programs	37,615	41,057	(3,442)			
Student support services	118,181	155,099	(36,918)	81,787	55,739	26,048
Instructional staff support services	292,754	235,564	57,190	166,731	438,379	(271,648)
General administration support services	303,898	269,214	34,684	34,542	36,151	(1,609)
School administration support services	199,601	181,344	18,257			
Central services support services	45,478	43,504	1,974	280		280
Operation and maintenance of plant services	727,317	550,078	177,239			
Student transportation services	271,820	221,679	50,141	4,302		4,302
Other support services	30,000	21,513	8,487			
Food services operations				339,039	326,577	12,462
Community services operations				4,059	2,631	1,428
Non-programmed costs				14,785	16,045	(1,260)
Activity expenditures		59,150	(59,150)			
<b>TOTAL EXPENDITURES</b>	<b>4,370,807</b>	<b>3,955,549</b>	<b>415,258</b>	<b>1,057,671</b>	<b>1,147,528</b>	<b>(89,857)</b>

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (285,773)	\$ 464,134	\$ 749,907	\$ (32,889)	\$ (60,646)	\$ (27,757)
OTHER FINANCING SOURCES (USES)						
Transfers in	5,683,075		(5,683,075)	51,691		(51,691)
Transfers out	(5,928,892)	(963,150)	4,965,742	(51,691)		51,691
Refund to grantor		(55,404)	(55,404)			
TOTAL OTHER FINANCING SOURCES (USES)	(245,817)	(1,018,554)	(772,737)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(531,590)	(554,420)	(22,830)	(32,889)	(60,646)	(27,757)
FUND BALANCES - JULY 1	808,269	1,245,034	436,765	123,890	189,666	65,776
FUND BALANCES - JUNE 30	\$ 276,679	\$ 690,614	\$ 413,935	\$ 91,001	\$ 129,020	\$ 38,019

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 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 Augusta School District (District). There are no component units.

**B. Description of Funds**

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

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

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

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

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.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF 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 \$1,500 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Property Taxes

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

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 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.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

**F. Property Taxes (Continued)**

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

**G. Fund Balance Classifications**

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

**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.

**J. Minimum Fund Balance Policies**

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

**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)	\$ 276,300	\$ 276,300
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	1,880,495	2,171,755
Total Deposits	\$ 2,156,795	\$ 2,448,055

The above total deposits include certificates of deposit of \$25,579 reported as investments and classified as nonparticipating contracts.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**3: ACCOUNTS RECEIVABLE**

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

Description	Governmental Fund Major Special Revenue
Federal assistance	\$ 85,086
Other	182
Totals	\$ 85,268

**4: COMMITMENTS**

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

- A. Operating Leases (noncapital leases with initial noncancellable lease terms in excess of one year)

General description of leases and leasing arrangements:

On April 1, 2017, the District executed an operating lease for two buses. The agreement stipulated yearly payments of \$30,000 for three years.

On January 18, 2018, the District executed an operating lease for one bus. The agreement stipulated three yearly payments of \$10,950 and a final payment of \$32,361.

1. Future minimum rental payments (aggregate) at June 30, 2018: \$84,261
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2019	\$ 40,950
2020	10,950
2021	32,361
Total	\$ 84,261

Rental payments for the operating leases described above were approximately \$40,950 for the year ended June 30, 2018.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**4: COMMITMENTS (Continued)**

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
11/1/2015	2/1/2045	1 - 3.75%	\$ 2,070,000	\$ 1,985,000	\$ 85,000
9/1/2016	2/1/2042	1.05 - 3%	2,050,000	2,015,000	35,000
Totals			<u>\$ 4,120,000</u>	<u>\$ 4,000,000</u>	<u>\$ 120,000</u>

Changes in Long-term Debt

	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
Bonds payable	<u>\$ 4,085,000</u>	<u>\$ 0</u>	<u>\$ 85,000</u>	<u>\$ 4,000,000</u>

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2019	\$ 120,000	\$ 104,186	\$ 224,186
2020	120,000	102,761	222,761
2021	125,000	101,254	226,254
2022	125,000	99,449	224,449
2023	125,000	97,575	222,575
2024-2028	670,000	454,626	1,124,626
2029-2033	745,000	378,249	1,123,249
2034-2038	860,000	271,804	1,131,804
2039-2043	895,000	127,088	1,022,088
2044-2045	215,000	12,187	227,187
Totals	<u>\$ 4,000,000</u>	<u>\$ 1,749,179</u>	<u>\$ 5,749,179</u>

Security for Debt Payments

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**5: ACCOUNTS PAYABLE**

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 97,342	\$ 4,158	\$ 14,409

**6: INTERFUND TRANSFERS**

The District transferred \$963,150 from the general fund to the other aggregate funds for debt related payments of \$190,534 and to supplement future capital expenditures of \$772,616.

**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.arts.gov](http://www.arts.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 \$415,007, 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 \$4,095,170.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

ADDITIONS	
Interest	\$ <u>82</u>
 CHANGE IN FUND BALANCE	 82
 FUND BALANCE - JULY 1	 <u>20,808</u>
 FUND BALANCE - JUNE 30	 <u>\$ 20,890</u>

**9: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$4,120,000 issued from November 1, 2015 to September 1, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$5,749,179, payable through February 1, 2045. Principal and interest paid for the current year and total property taxes pledged for debt service were \$190,179 and \$660,535, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 28.79 percent.

**10: RISK MANAGEMENT**

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

The District carries commercial insurance for general liability, student accident, and business trip accidental death and dismemberment coverage.

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

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 \$89,186 for the year ended June 30, 2018.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF 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:			
Nonspendable:			
Deposit with paying agent			\$ 52,093
Restricted for:			
Alternative learning environment	\$ 1,454		
Educational programs - national school lunch state categorical funding	5,765		
English-language learners	269		
Professional development	5,664		
Capital projects			507,710
Child nutrition programs		\$ 119,505	
Medical services		4,949	
Special education programs	38,407		
Other purposes	11,423	4,566	
Total Restricted	<u>62,982</u>	<u>129,020</u>	<u>507,710</u>
Assigned to:			
Capital projects			776,496
Student activities	3,806		
Total Assigned	<u>3,806</u>		<u>776,496</u>
Unassigned	<u>623,826</u>		
Totals	<u>\$ 690,614</u>	<u>\$ 129,020</u>	<u>\$ 1,336,299</u>

**13: CONSTRUCTION IN PROGRESS**

The balance of the construction in progress account at June 30, 2018, at Schedule 1, represents preliminary costs associated with the construction of a new multi-purpose building. There were no significant commitments at June 30, 2018.

**14: SUBSEQUENT EVENTS**

- A. On July 31, 2018, the District accepted the guaranteed maximum price of \$1,065,309 for the construction of a new multi-purpose building.
- B. On August 1, 2018, the District issued construction bonds of \$530,000.

**15: MAGUIRE SCHOLARSHIP FUND**

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018  
(Unaudited)

Schedule 1

	Balance June 30, 2018
<i>Nondepreciable capital assets:</i>	
Land	\$ 86,886
Construction in progress	68,664
Total nondepreciable capital assets	155,550
 <i>Depreciable capital assets:</i>	
Buildings	4,854,168
Equipment	1,162,049
Total depreciable capital assets	6,016,217
 Less accumulated depreciation for:	
Buildings	2,417,555
Equipment	841,226
Total accumulated depreciation	3,258,781
 Total depreciable capital assets, net	2,757,436
 Capital assets, net	\$ 2,912,986

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF 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	7401		\$ 93,559
Arkansas Department of Education - National School Lunch Program	10.555	7401		198,994
Arkansas Department of Human Services - National School Lunch Program (Note 3)	10.555	7401000		22,232
Total for National School Lunch Program				<u>221,226</u>
Total U. S. Department of Agriculture				<u>314,785</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<u>314,785</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	7401		158,008
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>				<u>158,008</u>
<b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	7401		11,341
Total U. S. Department of Agriculture				<u>11,341</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	7401		569,435
Arkansas Department of Education - Rural Education	84.358	7401		6,349
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	7401		26,671
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	7401		8,441
Total U. S. Department of Education				<u>610,896</u>
<b>TOTAL OTHER PROGRAMS</b>				<u>622,237</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 0</u>	<u>\$ 1,095,030</u>

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Augusta School District No. 10 (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 Arkansas Department of Human Services.
- Note 4: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5: During the year ended June 30, 2018, the District received Medicaid funding of \$45,877 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.



AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

**MATERIAL WEAKNESS**

U. S. DEPARTMENT OF EDUCATION  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - CDFA NUMBER 84.010  
PASS-THROUGH NUMBER 7401  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2018

2018-001. Allowable Costs/Cost Principles

Criteria or specific requirement: Office of Management and Budget (OMB) 2 CFR part 200, subpart E – Cost Principles establish principles for determining the allowable costs incurred by the District under Federal awards. Such costs are to be necessary and reasonable for the performance of the Federal award.

Condition: Unallowable costs paid from the Title I program totaling \$66,041 were detected for the audit year. These expenditures were for furniture (\$1,734), security cameras (\$2,872), student activity plaques (\$181), copy machine usage (\$7,607), and Technology Director salaries/benefits (\$53,647) that should have been recorded in the District's general fund.

Cause: Lack of internal controls and management oversight over program expenditures.

Effect or potential effect: The District expended Title I program funds of \$66,041 for items determined not allowable.

Questioned costs: The amount of questioned costs was \$66,041.

Context: An examination of Title I program non-payroll expenditures totaling \$27,287 (15 checks) from a population of \$189,169 (147 checks). Three of the 15 checks examined included unallowable costs of \$4,787. Our sample was a statistically valid sample. An examination of 12 checks for copy machine usage paid from the Title I program totaling \$7,607. An examination of the Technology Director's salaries and benefits paid from the Title I program totaling \$53,647.

Recommendation: The District should contact the Arkansas Department of Education for resolution regarding this matter and implement proper internal controls over program expenditures.

Views of responsible officials: The District will contact the Arkansas Department of Education for resolution regarding the expenditures of Title I funds and the implementation of proper controls over program expenditures.

# *Augusta School District*

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Augusta, AR 72006  
(870) 347-2241  
Fax (870) 347-5423**

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

### **FINANCIAL STATEMENT FINDINGS**

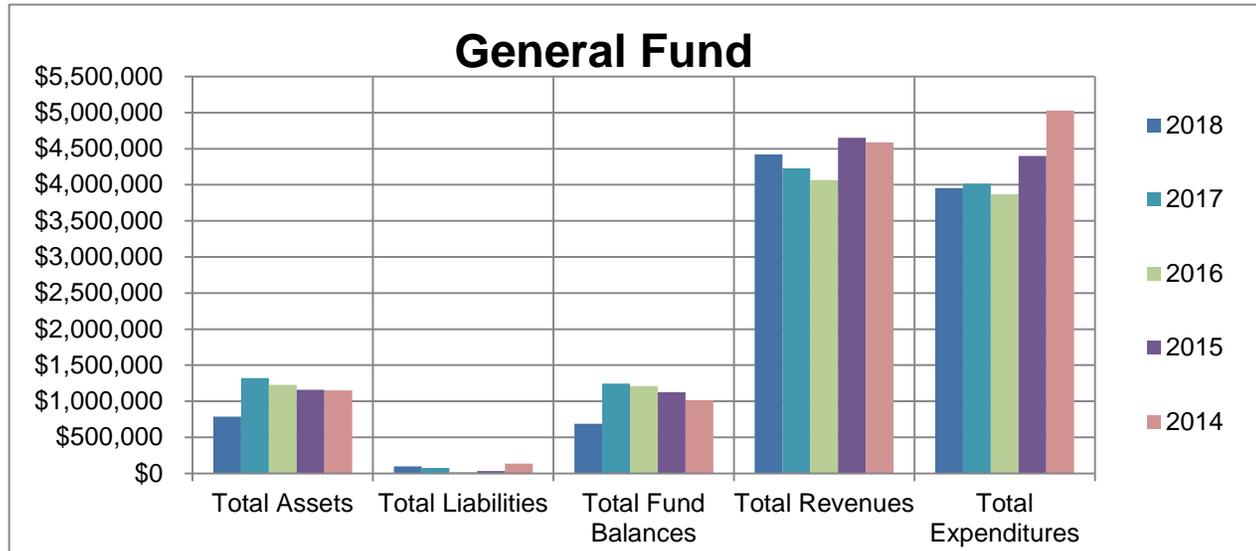
There were no findings in the prior audit.

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the prior audit.

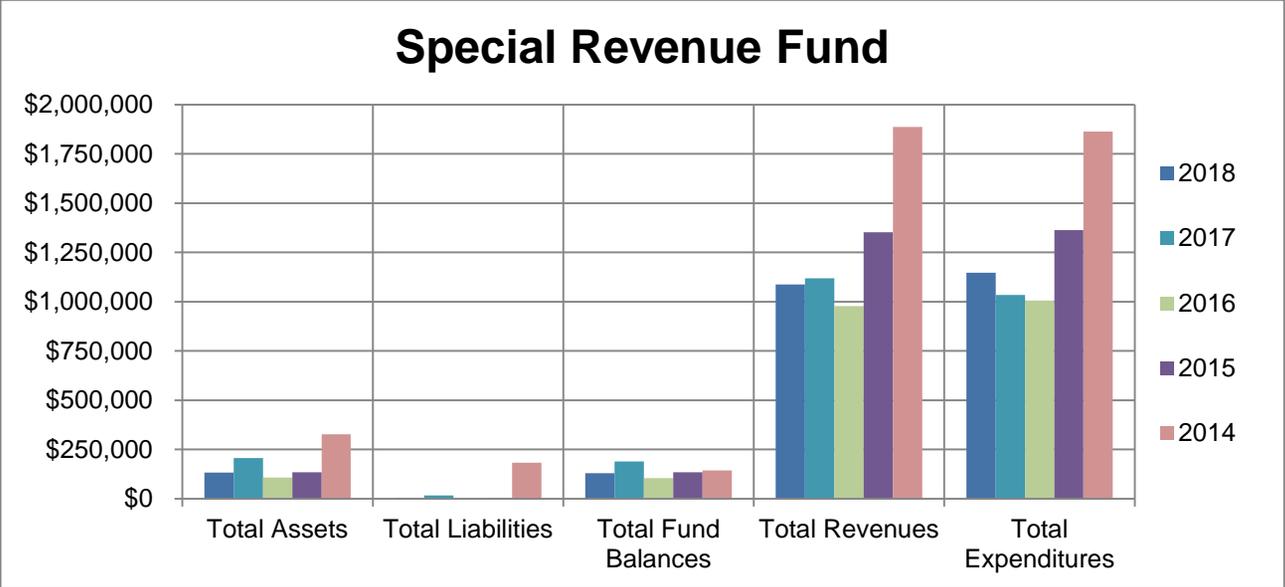
AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018  
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 787,956	\$ 1,322,895	\$ 1,229,507	\$ 1,161,220	\$ 1,152,168
Total Liabilities	97,342	77,861	19,756	34,318	137,862
Total Fund Balances	690,614	1,245,034	1,209,751	1,126,902	1,014,306
Total Revenues	4,419,683	4,228,799	4,063,675	4,651,866	4,588,632
Total Expenditures	3,955,549	4,013,043	3,869,288	4,398,660	5,026,798
Total Other Financing Sources (Uses)	(1,018,554)	(180,473)	(111,538)	(140,610)	(78,684)



AUGUSTA SCHOOL DISTRICT NO. 10  
 WOODRUFF COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 133,178	\$ 207,343	\$ 107,190	\$ 134,201	\$ 327,115
Total Liabilities	4,158	17,677	1,963	224	182,705
Total Fund Balances	129,020	189,666	105,227	133,977	144,410
Total Revenues	1,086,882	1,118,650	978,023	1,353,074	1,886,455
Total Expenditures	1,147,528	1,034,211	1,006,773	1,363,507	1,863,030
Total Other Financing Sources (Uses)					



AUGUSTA SCHOOL DISTRICT NO. 10  
 WOODRUFF COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 1,352,708	\$ 759,297	\$ 1,815,128	\$ 30,180	
Total Liabilities	14,409	67	85,501		
Total Fund Balances	1,338,299	759,230	1,729,627	30,180	
Total Revenues					\$ 1,566
Total Expenditures	384,081	1,204,365	430,196	110,430	110,500
Total Other Financing Sources (Uses)	963,150	233,968	2,129,643	140,610	78,684

